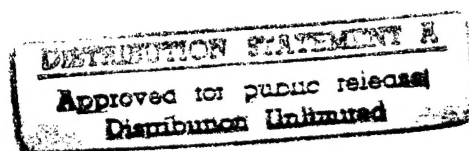


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27 APRIL 1989



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# ***JPRS Report***



## **Soviet Union**

### ***Economic Affairs***

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# Soviet Union Economic Affairs

JPRS-UEA-89-010

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27 APRIL 1989

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Socio-Economic Roots of Shadow Economy Analyzed

18200261 Novosibirsk *EKONOMIKA I  
ORGANIZATSIYA PROMYSHLENNOGO  
PROIZVODSTVA* in Russian No 2, Feb 89 pp 47-59

[Article by O. V. Osipenko, candidate of economics, Moscow Higher School for the Militia, MVD USSR and Yu. G. Kozlov, candidate of law, Moscow State University: "The Shadow Economy—What Casts the Shadow?"]

[Text] We have entered the second half of the 1980's carrying the baggage of quite vague ideas about the shadow economy. An entire complex of things are at fault: The practices of law enforcement and economic organs have divided theory into two blocks.

#### Just What Is the Shadow Economy?

In one version, it is individual labor activity not registered with state administrative and accounting organs and therefore not regulated by them in the necessary fashion.<sup>1</sup> In this, however, the researcher attributes "to cadre" considerable negative economic phenomena, above all the shadow redistribution of material goods. One can judge the scale of speculation by data from the USSR Procuracy: more than half of the citizens surveyed overpay for fashionable clothing and footwear.<sup>2</sup>

Neither is the second version fully satisfying: The shadow economy is goods and services production not covered by state accounting and control.<sup>3</sup> Actually, state control still does not guarantee the socialist content of the process controlled. This is not only due to the inefficiency of the control process. An analysis of economic practice in the 1970's shows that control can be "short-circuited" by degenerate organizers of economic crimes occupying high state posts.<sup>4</sup> Also, shadow processes in the economy cannot be restricted to production, forgetting about distribution, exchange and consumption.

A third version seems more accurate to us: The shadow economy is the totality of economic structures alternative to socialism. This involves objective phenomena not appropriate to the economic nature of socialism. These are stable, reproducible phenomena with clearly discernible structures and development patterns. Even this interpretation is not without fault. For many years individual labor was considered shadow activity. However, calling it nonsocialist is clearly anachronistic. One could say the same about enterprises' right to exchange above-normative and unutilized resources without preliminary agreement from Gosplan and their ministry. That is, a phenomenon can be compatible with the economic nature of socialism and still be shadowy.

Perhaps it is more logical to consider as shadowy illegal processes, directly or indirectly linked to the extraction of unearned incomes. The equality "shadowy = illegal" focuses attention on the ideas of society (at this stage in development) about the permissibility of a given economic process. If these ideas are correct, a phenomenon illegal from a juridical perspective can be deemed "an economic structure alternative to socialism." However, legal prohibition (as with the cases of individual labor and exchange operations) often makes no economic sense. The paradox is that the divergence between juridical regulation and economic nature actually makes them socially and economically dangerous, and so, nonsocialist. This is not the fault, but the misfortune of these phenomena!

However, the fact remains: This the way they become shadow activities. There are many proofs of this. We will later examine some of them.

Sometimes doubts are expressed about using the concept shadow economy if there is a more precise concept, unearned income, which has already found use in economics. It is a similar, but not an identical concept. The difference, in our view, is that the shadow economy is a condition and process causing unearned incomes, while the latter are the result of the shadow economy's functioning. However, this does not mean that in every individual episode from the shadow economy unearned incomes are extracted. Fully earned incomes may be gained. For example, illegally gained money can be advanced to create a cooperative. The wages of law abiding cooperative members will be earned, but the incomes of the investor (the final goal) cannot be considered so.

There is also the distinction that unearned incomes can also arise outside the shadow economy's limits. This involves numerous so-called legal unearned incomes resulting from leveling and setting unwarranted pay and bonus levels, ministries redistributing incomes between enterprises, the raising of prices and bonuses, "patronage assistance," and agricultural work while retaining one's earnings from the main place of work, the mutual administration of contractual relations between enterprises.

The motives of people in the shadow economy usually personal security and easy money. The first component is important because the gaining of material benefits often entails criminal and administrative responsibility. Many people gaining unearned incomes are "guilty without guilt": They do not have criminal intent. Such incomes are earned by, for example, honest workers with private subsidiary farms in southern regions; they are "helped" by an imperfect process for extracting differential rents. Until recently the legal literature had displayed a unique legal fetishism, in which illegal was identified with unearned. Thus, if a sovkhos worker had 5 cows, the strange conclusion was drawn that income from milk sales from 3 was unearned. The limits for



keeping livestock on private subsidiary farms were only abolished in September 1987. The use of equipment with more than 7 horsepower has also inevitably acquired a shadow nature. Such mindless prohibitions, arising from incorrect ideas about social justice, cast working, socialist forms of production into the darkness.

The shadow economy and unearned incomes are different socially. There is a viewpoint that the sources of unearned incomes are the "sticking" of relations under simple commodity production to socialist production relations.<sup>5</sup> Don't its adherents restrict it too much to its social base? This is clear where a large commercial intermediary is "stuck" to capitalist production relations. Processes creating unearned incomes often do not have social nuances. Thus, it is absurd to think that a person obtaining 4 percent from a deposit in Sberbank (legal unearned income) is an agent of capitalist or small scale commodity production relations. In itself, the violation of the economic laws of socialism does not always make the corresponding relations spontaneous-commodity or capitalist ones.

The shadow economy is another matter. The conscious conflict with public norms socially defines the acts of people entering into illegal relationships. Obviously, these are repeated, stable relations. The actions drawing people into the shadow economy are guided by the economic laws of classic simple commodity production (spontaneous and prohibited individual labor activity), capitalism (the black market) and even state monopoly capitalism and feudalism (organized economic crime).

In our view, the shadow economy is an internally contradictory symbiosis, a "cocktail" form of these laws. In introducing this definition, we do not at all consider it a "birth mark" of capitalism (the reason for its existence are in the deformations of socialism, that is, it was created by our own mistakes and shortcomings), but are attempting to define the social nature of this phenomenon. Our shadow economy cannot pretend to have an original functional mechanism unknown to contemporary capitalism.

The shadow economy forms its own superstructural relations, in particular a shadow morals and law. It was during the stormy development of the shadow economy in the seventies that we started linking the shadow economy to the coquettish lifestyle beyond ones means, an open neglect of social norms about modesty and a striving to possess consumer status symbols (vehicles, dachas, expensive furniture, etc.) There is an indicative answer to questions raised during criminal investigations: How do people living considerably better than their neighbors obtain their incomes. When asked this question, 10-13 percent of respondents said it was from legal sources, earning a living directly ensuing from the principles of socialism and the letter of the law (working at progressive enterprises, overfulfillment of plan targets and norms, high qualifications, etc), while 19-25 percent said the sources were illegal and criminal.

Stereotypes about the shadow economy were vividly introduced into the minds of the law abiding public. Some became accustomed to the black market. Therefore, it is not surprising that only 55-76 percent of the criminologists in various regions considered speculation in scarce foreign and domestic goods to be a crime, and only 33-56 percent so considered the sale (violating trade rules) of such goods to "people who want them."

Shadow legality is a system of norms and unique "law" of illegal economic activity. Shadow groups widely use entrance fees for entering and paying smart money in making deals. Economic sanctions are also very severe. In one criminal group which boldly disguised its activities in several brick making enterprises in the RSFSR and the USSR during the past five-year plan, the penalty for taking a day off (honorable reasons were not considered) reached 200 rubles. However, bribery has a central place in meeting unwritten norms of behavior for agents in the shadow economy. The easily seen patterns in bribery's movement upward on the hierarchical ladder (for example, from meatcutter in a market, to official in a restaurant and saleslady in a store to the manager of trade in a city and sometimes to members of a ministry board and party obkom secretary) make it possible to talk about a unique economic-legal mechanism in the shadow economy.

Before finding out how deep are the roots that the shadow economy has grown and what is necessary to dig them out, let us look at what these roots feed upon. We will analyze three components of the shadow economy: spontaneous (illegal) individual labor and artel activity, the black market, the activities of well organized criminal groups in the economy.

#### **Why Did the Individualshchik Remain in the Shadows?**

For decades the answer to this question was based upon judgments about the survivability of the "birth marks" of capitalism, in the best case—small scale production, and about their incompatibility with socialist production. Practice was indebted to ideology. It turned out that to a considerable degree illegal individual labor activities made their own law.

The USSR Law "On Individual Labor Activity" made it possible to get out from the underground. However, such activities did not hurry to use the law. Up until 1986, for each officially registered individual worker, there were about 30 people illegally engaged in such activities. When one includes the individuals who work in this manner from time to time, then the proportion increased to 1:200-300 in our estimate. Presently, the number of registered individuals hardly exceeds 500,000, while the optimum is estimated at 2-3 million.

The main reason for this is that such individuals are not hurrying to get out of the shadows. As previously, in the light there are few guaranteed advantages. In the shadows "old ties" in trade and supplies can be preserved.

The individual is not guaranteed raw materials, fuel and equipment. Instructions from the USSR Ministry of Trade (20 February 1987) and USSR Gosnab (10 March 1987) graciously permitted them to acquire all this (although with stipulations) at state and cooperative retail sources, at markets, from Gosnab territorial organs and to purchase surplus products from private subsidiary farms. It makes no sense to look in these documents for the words "obligated" and "responsible" with regard to officials.

The shadows also protect individuals from the absurdities in taxation. Local organs profit most from widely advertised business permits. To sell such permits is to take responsibility for controlling incomes, supplying materials and giving other assistance to the individual producer. The authors' conversations with people wanting to engage in individual labor showed that many of them agreed to pay much more than the price of the business permit, but only after talking with clients. By no means everyone has 500-700 rubles in the family budget.

It is quite clear than beginning individuals need tax rebates: Take less from them during the first years. Interestingly, cooperative members have such rebates (for taxes on collective income). They are also obtained by enterprises working jointly with foreign partners. But, a socialist form of production such as individual labor is deprived of these natural stimuli.

The law allows individual labor activity as the sole form of employment only as an exception. It is deemed more beneficial to society that it be done by workers in their spare time or by pensioners, students and homemakers. Unfortunately, these benefits (and nobody seriously disputes them) are not supported by incentives. Contrary to good sense, we have one tax bracket for those who make fashionable pants 8-10 hours daily and another for those who, (due to age or to having a regular job) can only devote a couple of hours weekly to this.

Family enterprises fall between two chairs. Consisting of relatives, for example 2 individual workers, they are not cooperatives (minimum number is 3), but are not individual labor. Of course, nobody would forbid one from helping the other if the latter permitted it. However, the logic of the matter requires that family enterprises be put into an economic-legal framework between individual labor and cooperatives.

The lack of elementary logic in norm setting and of good laws also hinders bringing individual labors out into "God's light." As is known, our economy lives not by laws, but by sublegal normative acts (decrees, instructions, orders, instructional letters) which do not have to be based on any specific law. Individual labor activity is no exception. The Law on Individual Labor Activity has already begun to be "overgrown" with such acts. Unfortunately, one cannot yet talk about the people to whom this law is addressed participating in the process. It is

necessary to combine democracy in administrative decision making with legal competence. In this case it is advisable to create associations of people engaged in individual labor activity. This would be voluntary and be supported by contributions (as with craft groups in the GDR or associations of small producers in the U.S.) They could review sublegal normative acts, oppose administrative pressure by ispolkom commissions on individual labor activity, provide incentives to craftspeople, help in supply, advertising, etc. There would be no red tape, no inflation of staffs, paying released managers and lawyers.

### **The Black Market Is Not a Myth but a Reality**

The black market is not simply small scale speculation in what was available on the shelves yesterday, but today has disappeared. It is stable and exists mainly in those spheres in which the shortages are most acute. When state trade only meets 15-20 percent of the demand for auto parts, is it surprising that there is a vital motorized flea market. The profitability of shadow activities in the organized supply of fiction books, "name" clothing and footwear and cassettes is so great that any punitive measures are powerless. The black market's response to exceptional measures to punish violators is a head spinning increase in prices.

Incidentally, the black market does not have to be migratory. It comfortably fits in to the "regular work place," say, in trade. Criminologists surveys show that almost 84 percent of those asked have been its victims, 73 percent more than once.<sup>6</sup>

The black market tests supply and demand, determines the most favorable contingents of customers and regional sectors for supply, provides guaranteed links between production and supply through smuggling and other forms of imports, and for altering products stolen from enterprises in the individual sector, in unique underground share-held shops. These shops sometimes exist "under the roof" of state and cooperative enterprises, use legal channels for obtaining the best imported equipment and raw material from regular stocks. Obviously, such "supply" is based upon personal ties between criminals and workers at ministries and agencies and upon bribery and official misconduct.

Legal nihilism and legal fetishism protect the black market. This market has become such an ordinary phenomenon that many people do not consider it illegal at all. This is enforced by legal nihilism. Consequently, the black market exists at the expense of the law abiding population, forced to use it to acquire scarce goods. In other words, the shadow economy, actively introduced into the daily consumption process, has harmed the vitally important centers of the official economy. Therefore, attempts to delineate a precise line between the official and unofficial economy have been unsuccessful.

Legal fetishism manifests itself in "prohibitomania." Thus, in spite of economic logic, there has been, and continues to be an extremely broad interpretation of intermediate trade as speculation. Until recently anyone who helped peasants sell their products was considered a speculator, as if efforts in purchasing, hauling, storing and selling were not work. The first gap in such prohibitions was breached by the USSR Council of Ministers decree of 24 September 1987, authorizing the creation of cooperatives to purchase and sell products from the individual sector. Having made a first step, it is necessary to make a second: authorize the granting of licenses to individual "merchants." There are already cooperative "merchants." Moreover the prohibition is simply not working. It is sufficient only to acquire a license to sell aquarium fish to legally charge a markup. The income tax on trade services should be greater than on other services. It can hardly be considered proper that this decree taxes trade cooperatives in the same manner as it taxes cooperatives producing consumer goods.

It would be incorrect to interpret this broadly and remove all prohibitions. They are justified with regard to the production and sales of narcotics and alcoholic beverages. However, even here, a prohibition will not solve problems. This is vividly shown in the expansion of illegal alcohol sales.

"Prohibitomania" also created a black market in material and technical supply. For decades bureaucratic methods limited enterprises' rights to sell above-norm and unused items. In fact, the prohibition did not work well, enterprises found secret supplies. In 1984-1985 the USSR People's Control Committee found that enterprises had concealed more than 350,000 tons of metal and pipe, 38,000 kilometers of cable and almost 500 million rubles worth of equipment. Bricks are traded for gasoline, oil pipe for trips to Sochi, metal for a chief engineer's services, etc. Bribery helps exchange operations and serves as an additional guarantee that the secret will not get out. The card system for supplying enterprises retains the black market in material-technical supply.

#### **Organized Economic Crime and the Command-Administrative System**

Organized economic crime is the most dangerous phenomenon in the shadow economy. Criminological research reveals its most important characteristics: it is permanent, stable and planned, has unified goals and a program of action; a clearly expressed organizational structure, a leadership hierarchy, standardized norms of group behavior, a system for the planned neutralization of social control (special methods for obtaining information on the actions of law enforcement organs, the purchase and enlistment of law enforcement agents and workers in party, soviet and economic organs into criminal groups); centralized sources of money invested in various criminal activities; a tendency to steadily expand

the sphere of criminal activity (cooperation of organized criminal groups in various sectors, control over the black market and spontaneous individual labor activity).

In a short article it is impossible to show all the reasons for and specific features of this phenomenon. We will dwell only on one of them: The organic link with administrative methods. Economic crime does not simply live parasitically upon shortcomings in the economic mechanism; it plans and generates them, using command methods. It is not surprising that degenerates, helped by authorities, blocked and stifled the most effective, democratic management elements, cultivating administrative and bureaucratic methods. This is shown by organized criminal groups' activities at Mosgorispolkom's Main Administration for Trade in the beginning of the 1980s in promoting the decision of the Administration's managers (some of them were lead by these groups) to "reorganize" brigade contract in trade. Sales people and cashiers-controllers were removed from the brigades. The only people remaining were heads of departments, sections and their deputies. This emasculated the idea of collective material responsibility, which would clearly reveal shortcomings. It protected "commercial secrets"—sources of financial disbalance and methods for eliminating shortcomings, and it cultivated the excessive linear dependence of lower ranking managers upon higher ones.

An analysis of criminal group activities in Rostov city and oblast, in Krasnodar Kray and Uzbekistan in the 1970's and the early 1980's showed that the power-bureaucratic strategy for solving key economic problems was a genuine windfall for the organizers of the shadow economy.

Centralism, wallowing in attempts to regulate everything and everybody, crushes planning, material-technical supply and economic incentives. Secret procedures for compiling and implementing production and sales plans created the most favorable conditions for extracting unearned incomes from selected enterprises, managers were not distracted from the shadow economy by targets which are too taut. On the contrary, an intentionally unrealistic plan handed down from above without any material resources became a tool in the hands of degenerate managers.

Operatives in the shadow economy also actively used the secret distribution of bonus funds, another favorite child of the administrative system. For example, if control organs discover misconduct among low levels, the criminal-managers usually react to this by taking away bonuses, by reprimands or by strong oral criticism. However, they soon intrepidly compensate for this moral damage with promotions, large bonuses, free trips to resorts and governmental awards.

The administrative system of management is based upon an authoritarian-bureaucratic strategy for selecting cadre according to personal loyalty, nationality, kinship and

according to the rules of "telephone law." The accompanying undemocratic mechanism for promoting workers has become a key element in recruiting cadre for the shadow economy. This mechanism puts clearly unreliable people, those with previous convictions or without the required education or experience, into positions with the most possibility for extracting unearned income. There is an easily discernible pattern: The fewer formal qualifications a worker has for a position, the greater the suitability for shadow collaboration with the manager-degenerate who favors him. The solution of the cadre problem to the benefit of "interested individuals" has been transformed here into a unique universal equivalent. According to the unwritten code in the shadow economy the "income position" is given a monetary value and the applicant must pay an entrance fee.

Personnel questions still remain a privilege of line management. The formation of a reserve of specialists and managers at an enterprise is usually a family secret. How often do we see enterprise personal department lists of candidates for a vacant position and competition between them? Do enterprises even have such lists? Unfortunately, there is still an unimplemented proposal made during the discussions of the draft to the Law on State Enterprises to have the labor collective council form certification commissions for evaluating enterprise specialists and promoting them. This process is still governed by a 14 year old instruction which calls for main administrations and ministries to form such commissions. The cosmetic corrections do not seem to me to touch upon the main thing—the bureaucratic procedure for setting up these commissions.

Distortions in personnel policy have created a fetishism of officials, fraught with misconduct and creating an aura of holiness around economic managers, independent of their business skills. The flesh and blood executive philosophy of nonresistance to any (including obviously absurd) decisions from above is the reverse side of the fetishism of officials. It works with the protected privileges not linked to the performance of economic managers.

Public opinion is painfully reacting to the protection of these privileges. Not only social, but also economic necessity demand a solution to this problem. It is fitting to note that as a result of the changes in the classification of workers supplying cafeterias at party obkoms and gorkoms and the elimination of other channels for special distribution in Kazakhstan in 1987, there were visibly more products in the city stores. Alma-Ata and oblast centers in the republic have been returned about one third of the food supplies which had previously been intended for management workers. Two hundred forty seven "small" inns, 84 cottages, 414 guest apartments, 22 hunting houses and 6 reserve apartments have been transferred to public use.

Hypertrophic norm creation by agencies, a product of the administrative system of management, is another method of organized economic crime. Every year hundreds of frequently contradictory instructions and orders

create an atmosphere of a priori unreality about their realization and force even law abiding managers to be guided by common sense. To operatives in the shadow economy, however, this same common sense says only that an illegal situation can be safely used for their own purposes, with the help of documents, write-ups, forgeries and extortion. An especially principled approach is necessary in controlling the implementation of these instructions.

The systematic democratization of management, the transition from indirect (representative) to direct democracy, the introduction of mini-referendums on the most important questions in enterprises's socio-economic development and on general state decisions are all important conditions for preventing organized crime.

The development of ways to fight the shadow economy is an interdisciplinary problem. Wearing blinkers providing only a narrow view of this problem, neither economists nor criminologists can solve it. It is not enough to conduct "round tables" to attract legal scholars as co-executors of economic subjects and, at conferences to tell each other what has been done by representatives of each science. We are convinced that it is time to move from cooperation to the integration of science and research. This should be a problem for economic criminology, a special interdisciplinary sector of the humanities. The elimination of the shadow economy can be one of its first tasks.

#### Footnotes

1. *Voprosy ekonomiki*, No. 6, 1987, p 86.
2. *Zhurnalists*, No. 5, 1986, p 31.
3. *Ekonomicheskaya Gazeta*, No. 15, 1986, p 10.
4. *Materials from the CPSU Central Committee Plenum, 14-15 June, 1983*, Moscow, 1983, pp 4, 16; *Materials from the CPSU Central Committee Plenum, 27-28 January, 1987*, Moscow, 1987, pp 13-14;
5. *Voprosy ekonomiki*, No 6, 1986, p 97.
6. "The Struggle Against Violators of the Law During Perestroyka," Thesis of the All-Union Scientific Conference: "For a Healthy Way of Life (The Struggle Against Social Disorders)", Suzdal, 1987, p 39.

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## INVESTMENT, PRICES, BUDGET, FINANCE

### Association Director Blames Planning System for Price Hikes

18200264 Moscow MOSKOVSKAYA PRAVDA in Russian 19 Jan 89 p 2

[Article by T. Barkanova, general director of the Zhenskaya Moda association: "The Price of Contractual Prices: How High Earnings Are Being 'Jacked Up'"]

[Text] The universal rise in the prices of goods and services is one of today's liveliest topical questions, one that is being discussed both in high offices and in store lines. From the viewpoint of the customer, enterprises are "jacking up" prices in their race for high profits.

It is not a matter here of gain for the producer. Where is this going to come from if, outside the gates of the factory, we ourselves are turned into customers and we too, when presenting our money in the shops, sigh that it's so expensive. But why is it so expensive? It is the planning system that is to blame for this. This is precisely what forces the enterprises to make use of the smallest pretexts to raise the prices of their products.

Here are the control figures for the current five-year plan for the Zhenskaya Moda association: We must increase output in physical terms, i.e., in units, by a quarter, but a 2.25-fold increase in earnings is planned.

And this is the basis of the increased prices for products. The five-year plan, as is known, is law for the director and labor collective. We are obligated to fulfill it. But, practically, it is impossible to achieve such a colossal increase in earnings, as the one set, on account of reducing the prime cost of our products. Even today, it costs an average of one ruble to sew up a dress. Ninety percent of our expenditures for production consist of the cost of materials and accessories. Prime cost cannot be reduced endlessly. There is a limit. There is only one way to meet profit goals: at the customer's expense. It stands to reason that, issuing and approving five-year plans for the ministries, both USSR Gosplan and the Ministry of Finance know this very well.

The results for last year were recently calculated. Zhenskaya Moda turned out 30,000 units above the plan. And the quota for earnings was fulfilled exactly, to a "T," as they say—7,644,000 rubles. Of this amount, a little more than 20 percent remained at the disposal of the collective. Now let us take a look at what comprised our profit. Eight-two percent of Zhenskaya Moda's goods were sold at contractual prices. Our economists calculated that without this, the total amount of our profits would have been 2.5 million rubles less. In other words, the enterprise had totally no chance, even as a result of turning out above-plan products, of fulfilling its goal for this basic indicator other than by making its products more expensive. But we are obliged to transfer the funds in full

to the state budget and to the centralized funds of the RSFSR Ministry of Light Industry. The association must provide the millions of rubles that are short out of its own funds. For us, this means ruin. Economics is closely closing ranks with policy here.

The CPSU Central Committee Politburo recently examined a proposal by the USSR Council of Ministers about measures to eliminate shortcomings in the existing practice of establishing prices. At the session, I will remind, there was discussion of the need to regulate the use of contract prices and all sorts of increments to the value of articles. Of course, these are correct measures. But they, I think, would not be necessary if it were not for the mistakes of the planning organs.

Two years ago, just after the appearance of the concept of the "contract price" as an incentive to mastering the production of fundamentally new, high-quality products, a total of three percent of our articles, we calculated, corresponded to these requirements. I remember how cautious we were, establishing the increment and with what strict measures we approached product quality. Now, the increments have become an element that is necessary to our economic survival. This year, our profit goal is higher than last year. What to do? Contest the ministry, showing the impossibility of fulfilling the plan (and in the case of victory in this argument, to receive insufficient resources for all the enterprise's funds), or...?

Profits are not something that can be invented. And if everyone has got to have them, then it is necessary to use all means to stimulate an increase in output production and a decrease in the costs for its production. Only by this way is it possible to receive just money. The customer will be satisfied—more goods will go to the shops—and, finally, competition will arise between goods, and the prerequisites for a real, a market reduction in prices will be created.

## REGIONAL DEVELOPMENT

### Economic Decentralization Requires New Legislative Measures

18200276 Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 22 Mar 89 p 2

[Unattributed article: "How to Strengthen the Union"]

[Text] *The General Principles for Restructuring Management of the Economic and Social Sphere in the Union Republics on the Basis of Expansion of Their Sovereign Rights, Self-Management, and Self-Financing have been published. During the nationwide discussion many important questions were raised having to do with the interaction among central, Union, and regional administrative agencies. Writing today in our new column "Strong Republic—Strong Center," in which the situation of the draft will be discussed, we have Doctor of Jurisprudence Yu. Tikhomirov.*

"The inviolable union of free republics"—this line from the hymn has been accepted by many generations of Soviet people as a realized ideal. Today it is clear that in interrepublic relations we not only have not achieved the ideal but have even generated a multitude of difficulties. Many of them are directly related to our laws—they do not make it possible to productively solve the so-called national problems.

And now passions are seething around the domestic state structure. Some are in favor of a "strong center," others are in favor of expansion of the rights of the republics, right up to the point of having a confederation. I can call my position moderate. I am in favor of a confederation, but the kind that would not suppress the independence of the republics. I am convinced that appeals to and persuasion of the central and republic authorities are not enough to achieve this. We need fully concrete legal measures that effectively reinforce the federation in the sense in which it was understood by V. I. Lenin. And to achieve this it is necessary to resolve a number of fundamental issues.

What authority should belong to the USSR, the "center," and what should belong to the republics? There is much that is unclear here. And above all in property relations.

State property, both in the USSR Constitution and in the constitutions of the Union republics, is characterized as the common property of all the Soviet people. And the nations and nationalities? What rights do they have? And actually which state owns the land, the minerals, the water, and the forests? Previously it was assumed that the owner was the people in general and the state in general. Now ideas are being put forward about a kind of "partitioned" ownership on the basis of the concept of republic *khozraschet*. I do not know if such a radical solution to the problem is needed. But one thing is for sure. It is necessary to develop new legal formulas that presuppose equal conditions for using state-owned objects. Possibly in these forms: USSR, republic, local soviets, and property of public organizations.

It is also necessary to revise the law on budget rights of the USSR and the Union republics and change over to new principles for the formation of local, republic, and Union budgets. We must not pump funds from above to below but form budgets on the basis of stable economic normatives and taxes from objects under various jurisdictions—these are the main principles of the possible reform.

In matters of planning and economic management, it is necessary to refrain from detailed regulation "from the center." In practice this is reinforced by article 73 of the USSR Constitution. But how are the plans of the Union departments and their enterprises coordinated with the republic agencies? Up to this point complete subjectivism has flourished here, bordering sometimes on arbitrariness. The republics are frequently defenseless before

the "center." It seems to me that the USSR should constitutionally be given the right to resolve only strategic issues, leaving everything else to the republics.

And one more principal condition for interrelations among the republics and between the republics and the Union as a whole. This is maximum development of contractual ties. This includes institutional, economic, and management agreements. What could be more fair in relations among partners?

But so far the central agencies lightly ignore the decisions of the republics. For example, last year 20 Union decisions were made concerning questions of the development of branches of the Lithuanian SSR national economy without coordination with the republic. But let us recall history. According to article 42 of the USSR Constitution of 1924, the TsIK of the Union republics and their presidiums could protest the decrees of the USSR SNK to the Presidium of the USSR TsIK without halting their implementation. But article 59 established that the instructions of the USSR people's commissariats could be countermanded by the republic TsIK and its presidium when they clearly failed to correspond to the USSR Constitution or the legislation of the USSR and the Union republics. Is this useful experience? In my opinion, extremely. But why then not introduce this rule: the republic agencies have the right to protest an illegal "central" act to the Committee for Constitutional Supervision?

The second large problem is the reorganization of management on the federative scale. It is necessary to turn many branches of the social-domestic sphere over to the republics. Where do we need unionwide and where do we need union-republic or republic agencies? A real "general inspection" is needed here.

The republic management structures should especially be discussed. So far, as a rule, they copy the federal structures. And this is with different structures of the economy and incomparable industrial potentials? It has long been time to change over to "their own" structures which reflect republic peculiarities. But, for example, why not form coordination agencies in the Union to solve republic-wide problems?

The institution of representation of the republics in the Presidium of the USSR Supreme Soviet and the USSR Council of Ministers and in certain central agencies where the boards and soviets include the leaders of the corresponding republic agencies has proved itself. Perhaps it would be worthwhile to introduce representatives of the republics into the management of all federal agencies? And the republics could approve their own representatives.

But what do the permanent representations of the councils of ministers of the Union republics do in the USSR government? For the time being, more organizational and operational work. But they are the ones who should

be participating in the work of the federal agencies so that they will not make decisions that stand in contradiction to the republics' interests.

The third problem is the legislation itself. What has been typical of past decades? The center has provided for unity of legislative regulation throughout the territory of the USSR and has established foundations for legislation of the USSR and the Union republics. And the almost 15 foundations that were adopted have "formed" the republic codes after themselves—labor, land, and so forth. Three large shortcomings are inherent in all the codes and laws. Their drafts were not discussed publicly in the republics. They mechanically reproduce the provisions of the foundation documents themselves. And as a result they copy one another. Previously it seemed that this was a merit of the legal system. But how should we evaluate it today?

The problem is that in the newly generated drafts they do not distinguish the legislative competence of the USSR from that of the republics. On the other hand, in the Baltic republics suggestions are being made to publish, for example, their own laws on changing the republic over the *khozraschet*, establishing taxes, ownership of the natural resources, and so forth. Is this reasonable? On the one hand, yes. But here is the question: how does one solve the common problems of the federation and the republic without coordination? For this makes inter-republic economic ties more difficult. And here the principle of the priority of the Union law (let us add—only for objects under joint jurisdiction) over the republic law is quite justified. But the republic should legislate "its own" problems more extensively.

In a word, competent legislative restructuring even today could ease international problems. We can no longer put this off until tomorrow, for our Union, alas, is not so stable as it seemed.

**Arutyunyan, ArSSR Council of Ministers on 1988 Economic Performance**

18200234 Yerevan *KOMMUNIST* in Russian  
14 Feb 89 pp 1-2

[Article: "Overcoming Hitches in the Economy"]

[Text] Results of the social and economic development of the ArSSR in 1988 and over the 3 years of the 12th Five-Year Plan were examined and this year's problems were considered at the extended meeting of the ArSSR Council of Ministers which convened 11 February 1989.

Chairman of the ArSSR Gosplan, M. Mkrtchyan, and Minister of Finances, Dzh. Dzhanoyan, addressed the meeting.

Participants in discussion of the questions being examined included directors of some ministries, departments and organizations. They discussed deficiencies in pertinent sectors and the national economy, which hinder their normal functioning and fulfillment of state planned tasks.

It was noted that the lag in the economy deepened in the last 5 years. Plans for capital construction and scientific and technical progress were not systematically fulfilled. Production efficiency decreased. Many enterprises were in severe financial condition. The proper relationship between labor productivity growth and rates of growth of average salary was violated. The social dissatisfaction of the people increased and ecological problems worsened.

Analysis of operation of the national economy for January-November showed that fulfillment of the plan for 1988 faced a serious threat of breakdown even up to natural calamity. The causes of this situation are well known. They include mass absenteeism from work which was intensified significantly by years of accumulating social problems. The significant underfulfillment of annual tasks for putting dwellings, clubs, cultural institutes and recreational centers and public health and national education items into operation confirms this.

In this period, in addition to disruption of planned tasks for production volumes, contractual obligations by enterprises of machine construction, construction and social complexes were not fulfilled. Production volumes of goods in public demand also were unfulfilled, especially by enterprises of republican subordination.

The new conditions of management still do not show significant effect on the increase of intensification of production. Labor productivity in industry remained practically at the level achieved in 1987. Needed attention is not being given to development of the newest technologies which ensure stability of output of high-quality production. Tasks for deliveries to production of new, modernized articles are not being fulfilled.

In the past year, as in preceding years, the commodity circulation plan was unfulfilled as a result, practically, of the unsatisfactory interaction of trade enterprises and organizations with industry, poor work in the study of interplay of forces of demand and also the negative factors existing in trade.

It was noted at the meeting that stability still has not been achieved in the development of agricultural production and in the work of processing branches of the ArSSR agroindustrial complex. The rates of increase of gross agricultural production lags behind that planned for the Five-Year Plan.



Although the plans for production and procurements of grain, sugar beet, production of melons and fruits and also the plan for purchasing animal husbandry products and accumulation of fodders were overfulfilled, fulfillment of state purchases of some agricultural products still was not accomplished.

For the 3 years of the current Five-Year Plan, fulfillment of tasks for purchase of potatoes, vegetables, melons, grapes and fruits was not guaranteed, basically because of the decrease of yield of these crops.

The destructive earthquake aggravated the state of affairs in the agroindustrial complex. The immediate task of the current year is the normalization, in the shortest possible time, of living conditions in the village including the start of working of all arable lands in a 110,000 hectare area, the restoration of inoperative irrigation systems and installations, processing and storage units, efficient wintering of cattle and successful provision for spring-field operations.

The state of affairs in capital construction worsened for the past 3 years of the Five-Year Plan. As usual, very many items are being constructed at the same time. The periods of time required to construct them exceed the standard times significantly. Tasks for bringing into force capacities and fixed capital are not being fulfilled systematically. All of this intensifies disproportions in the economic structure and impedes acceleration of social and economic development.

Fulfillment of the plan for municipal construction items in cities and rayon centers of the republic and, first and foremost, for the executive committee of the Yerevan Urban Soviet is especially unsatisfactory.

Great underfulfillment of tasks in putting capacities and projects into operation and in the level of acquiring capital is caused by poor labor discipline in all subdivisions of construction production and also in spheres of its material and technical provision, by the lack of attention on the part of former ministers of construction and the construction materials industry, the ArSSR Gostroy to creation of the necessary construction base in both volumes of construction and quality of construction production produced. Exactingness and control on the part of local Councils of People's Deputies and economic managers toward the work of construction organizations remains at a low level. There is still no purposeful, daily work of ministries and departments-clients from contractual organizations. They do not ensure timely mastering of territories, planning estimates, financing and equipment.

Chronic unfulfillment of planned tasks, especially putting capacities into operation, not only impedes further growth of material production but also improvement of the social sphere. The impending scales of construction and restoration operations today produce complex and special demands for development of the industrial base

of the construction industry and the construction materials industry and for improvement of operation of the entire construction complex.

It was emphasized, at the meeting that, at present, the solution of primary tasks which make for the success of the entire restoration process depends upon the increase of responsibility of personnel at all levels. The executive committees of Councils of People's Deputies should play a special role here.

One of the basic tasks of ministries, departments and directors of different services is the restoration, in the shortest possible time, of slightly damaged objects and the creation of collectives capable of solving problems connected with restoration of production capacities by participation in construction and installation work of industrial enterprises and also by creation of conditions for normal life and work of the people.

The guarantee of job placement for unemployed persons and the timely fulfillment of all measures adopted by the Politbureau Commission CPSU Central Committee requires much attention and organizational work on the part of the ArSSR Goskomtrud, ministries and departments of the republic, local Councils of People's Deputies and directors of enterprises and organizations.

It was noted that, during reconstruction of destroyed production capacities which did not provide competitive output of production before the earthquake, it is necessary to make sure that they are equipped with the newest technique and technology which will ensure output of products at the level of world standards.

For rapid restoration of regions suffering from the elements, it is necessary to consider, without delay, suggestions of foreign firms concerning creation of joint enterprises in different regions of the national economy such as industry, construction, public health, education and sports.

Ministries and departments of the republic and enterprises and organizations of union subordination must work more actively with representatives of foreign firms in order to achieve agreements on the organization of joint enterprises, making sure to guarantee a high technical level of the enterprises restored.

In 1989, all enterprises of industrial sectors of the national economy of the republic must convert to complete profit and loss accounting and self financing. For this, it is necessary to assist enterprises in every way in the use of resources, introduction of a rental contract, organization of cooperatives on the base of unprofitable or inadequately profitable productions, shops and sections.

V. Markaryants, chairman of the ArSSR Council of Ministers appeared at the meeting. The problems discussed, he said, have serious and actual significance for

the vital activity of the republic. Therefore, it is no accident that almost all members of the bureau of the Armenian Communist Party Central Committee, headed by 1st secretary of the Armenian Communist Party Central Committee S. Arutyunyan attended the conference.

There is great anxiety of the Central Committee and the government about the state of affairs in the republic, the serious shortcomings and derelictions of the Council of Ministers, its systems and state agencies both in the center and locally. The mechanism of administration in the republic, causing discord for well known reasons, zigzags in many directions and, if it is not adjusted, it may lead to serious complications in economic and social life.

It was noted that addresses and some speeches of the comrades are not of a "perestroika" nature concerning basic problems of the life of the republic. They are not oriented toward solution of the main problems; they contain no clear-cut discriminations and formulated thoughts concerning analysis of economic agencies and responsibilities of persons for admitted errors, disorganization and responsibility, etc.. There is no careful analysis of causes but, mainly, a blurred idea about ways out of the crisis situation.

Such a situation is intolerable. We must think this over carefully, find specific culprits and help them to eliminate the serious flaws quickly and, perhaps, strengthen some parts of the work with the help of capable specialists.

At the same time, the Council of Ministers of the republic should proceed, in its own work, with one aim—to be guided strictly by decisions of the April 1985 Plenary Session of the CPSU Central Committee, by decisions of the 27th Congress of our Party and the 19th All-Union Party Conference and by the demands of decisions of the Armenian Communist Party Central Committee.

Under conditions of perestroika, he continued, there are vast possibilities for creating a healthy situation for a normal moral and psychological life of society and active participation of people in socially-useful labor.

The economic activity of all ministries and departments and enterprises and organizations, without exception, should receive new impetus under the conditions of economic reform and guarantee fulfillment of plans, providing for an increase of growth of national income and of strict observance of principle—in labor and wages and standard of living, the solution of problems of social justice and revitalization of all spheres of social life of the republic.

It was emphasized that not one director of high or low rank should count on support of the Armenian government if he did not organize and guarantee fulfillment of

planned tasks, if he tolerates self-conceit or supports nepotism and related principles in work with personnel and, against this background, assesses the state of affairs subjectively.

State interests and the interests of the people will always dominate in the activity of the Armenian government.

Under conditions of perestroika and limitation of functions with Party agencies, the role of municipal and rayon Councils of People's Deputies is greater than ever and much depends upon how they organize matters.

It is necessary to examine this problem, to find the principal links in the chain of important work, to determine paths and ways out of the situation being created. I am speaking about this because many executive committees of Councils of People's Deputies willingly departed from their basic work and deal with problems irresolutely and therefore the municipal and rayon economy is neglected.

One of the main tasks of the Council of Ministers and its personnel is to help them find strength and confidence in all their diverse activity and to guarantee fulfillment of plans in their territories.

What do the overall figures indicate?

They indicate, first of all, that the sense of immediate reaction to events is lost, that, in many echelons of the state authority, some experienced personnel have been lost in talk without solving the most urgent problems of the people and react irresolutely to the unjust action of persons committing illegal acts or not fulfilling their direct obligations.

Rapid elimination of deficiencies in work today is the main task of the Armenian government, ministries and departments of Councils of People's Deputies.

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**First secretary of the Armenian Communist Party, S. Arutyunyan, participated in the meeting of the ArSSR Council of Ministers**

He emphasized, in particular, that the national economy of Armenia is experiencing a difficult and crucial time. Growing elements of economic stagnation have reached such imposing dimensions that there is a danger of complete disruption of social reconstruction. The fate of reconstruction of the Armenian economy and its future development are at stake. You know it is no secret that the Armenian national economy, beginning in the mid 1980s, is characterized more and more by aggravating sectoral and territorial disproportion, by slowing of the rate of economic growth and scientific and technical progress, by the increase of capital-output ratio and capital intensiveness of public production, distortion of the economic and social infrastructure and ecological

equilibrium, by a pronounced worsening of the financial state and resistance to inflationary processes, by the increase of scales of unsatisfied demand of the people for goods and services and by the inflexible organizational structure of administration. Culmination of these extremely alarming tendencies began in 1988. The tense moral and psychological situation, the strike and the earthquake undermined the normal course of the entire reproduction process and made our economy, in essence, unguided and uncontrolled.

The breakdown in many spheres of the vital activity of our economic system stands out vividly against the background of those positive changes which appeared in the Armenian economy after April 1985.

What is the real state of affairs? For the 3 years of the Five-Year Plan, our national income increased by only 5 percent and the volume of industrial production increased by 10.9 percent while the Five-Year Plan quota called for 12.7 percent and 15.3 percent, respectively. It would be an unpardonable error to complain about 1988 alone. The average annual rates of growth of national income for the first 2 years of the 12th Five-Year Plan were 2.4 times lower than those in the 11th Five-Year Plan. For the years of the current Five-Year Plan, for the first time in 20 years, the average annual rates of growth of national income and industrial production of the republic lagged behind analogous average incomes for union republics (Armenia 1.7 percent and 3.5 percent and USSR 3.6 percent and 4.2 percent, respectively). The rates of industrial production fell significantly. For the 11 months of 1988 (the period before the earthquake), with the overall growth of industrial production for the country as a whole at 4.0 percent, output of industrial production in our republic increased by a total of 0.4 percent, that is, it was 10-fold less.

The slowing of regional economic growth causes special concern because it is not a consequence of temporary closing of archaic productions, progressive structural reorganization, reduction of output by an unneeded user nor inefficient production but it is the direct result of exceptionally unsatisfactory industrial activity, poor state and labor discipline and decrease of responsibility for fulfillment of entrusted tasks.

Contractual obligations concerning deliveries of industrial production at operating enterprises were fulfilled by 96.8 percent as compared to 98.9 percent for the country. Labor discipline was violated by 30 percent of all associations and enterprises, which failed to supply production amounting to 250 million rubles to consumers. The lion's share of this sum, approximately 73 percent, belonged to enterprises of union subordination.

The largest volume of under-delivery of production and decrease of the rate of growth of production were admitted by the unions "Armelektromash," "Armkhimmash,"

"Armelektrokondensator," "Luis," the Yerevan automobile plant, a tire plant, a milling machine plant, the NPO "Nairit," the PO "Masis" and others.

Enterprises and unions converting to new conditions of management operated especially unsatisfactorily. In comparison with the enterprises operating "in the old fashion," development of production here lagged by 0.8 of a point and the level of fulfillment of contractual obligations lagged by 3.3 points. One out of two enterprises did not fulfill their contractual obligations. There was a production shortfall of more than 235 million rubles. Moreover, you see, more than 47 percent of all industrial enterprises of the republic operated under the new conditions and produced more than 58 percent of the total production output and nearly 65 percent of contractual deliveries. This justifies the conclusion that the transfer of enterprises to complete profit and loss accounting and self-financing is carried out formally without the necessary and careful preparatory work, without real introduction of the principles of intra-industrial profit and loss accounting. Economic reform in the republic in the first year under the effect of the USSR Law concerning the state enterprise did not function at "prescribed capacity." How can it function if, for example, not one industrial enterprise, although slightly profitable or unprofitable, was transferred to a rental contract, if only three industrial enterprises operated according to the most progressive form of profit and loss accounting, based on standard distribution of income.

One of the greatest bottlenecks today continues to be the problem of quality of production. For the last 3 years, annual losses from substandard products in industry were approximately 30 percent higher than the annual losses in the 11th Five-Year Plan, on the average. The volume of export shipments of machine tools in 1988, for example, did not even equal the level attained in the 1970s. At unions and in enterprises working under conditions of state acceptance, 9.7 percent of production presented was not accepted as compared to 8 percent non-acceptance for the country as a whole.

Although Armenia occupies first place among the union republics in the level of education of the working population, scientific and technical progress play only a modest role in guaranteeing economic development. It is enough to say that, in 1985-1987 alone, the annual economic impact from introduction of scientific and technical achievements decreased by 13 million rubles while expenditures for this purpose increased by 238 million rubles. This is in a situation in which more than 40 percent of industrial workers, 66 percent of construction workers and 86 percent of sovkhoz workers are manual workers. Therefore we cannot be amazed at the fact that less than 50 percent of the increase of social labor productivity is due to materialization of the achievements of scientific and technical progress.

Losses of work time in industry and construction in 1986-1987 alone were equivalent to daily absence from work of approximately 1,700 workers or loss of production to the amount of 36 million rubles. And this is daily.

The year 1988 was unprecedented in this aspect. Strikes alone caused loss of 3.17 million man-days which is equivalent to a direct national economic loss of the order of 270 million rubles. Regrettably, our wastefulness is another thing. In recent years, only 20 percent of the increase of end production is being guaranteed by intensive factors of economic growth and reserves of commodity stocks in the national economy are increasing almost 1.3 times more quickly than the national income.

The financial position of many of our enterprises and organizations must cause concern. Defaults by banks and suppliers equalled nearly 135 million rubles at the beginning of the year, in the machine construction complex alone.

The PO "Armelektromash," which operates with a shortage of its own circulating capital of approximately 20 million rubles, is in an extremely grave financial position. During 1988, the union issued credit for wages 12 times to the amount of more than 18 million rubles. Regrettably, a similar picture existed at the Charentsavan machine tool union, "Tsentrolit" milling machine plants, "Elektropribor" machine tool union imeni Dzerzhinskiy and the PO "ArmAvto."

Actually, no clear-cut program of financial normalization of the economy is being carried out in the republic.

The republic faces vast problems because of the shutdown, ahead of schedule, of atomic power plant power units. The electrical power shortage in the hours of peak loadings is at least 170 Mw. This situation creates significant difficulties in providing electrical power for the national economy and the public and requires maximum mobilization of the efforts of all collectives of enterprises, institutions, Party and Soviet organizations and all citizens for implementation of measures to guarantee reliable power supply and savings of electric power. Regrettably, far from everyone realizes the complexity of the problem and the danger of the situation. The work performed by "Armenergo" to alleviate this situation does not satisfy us. We must adopt, in the shortest possible time, comprehensive measures to ensure that we produce enough power to meet the demand.

Today, the paramount task is to carry out thoughtful, well organized work on converting the atomic power plant into a thermal electric power station, to speed up expansion of the Razdan state regional electric power plant, to increase the level of operation of operating electric power stations and to reconstruct and technically re-equip power capacities. We must also intensify work concerning the use of non-traditional energy which will help reduce the growing power shortage.

At the same time, all ministries and departments, each enterprise and organization must resolutely eradicate existing instances of wastefulness and mismanagement and put into action a clear-cut, specific program for

conserving electric power. Measures stipulated by the decree adopted by the Armenian Communist Party Central Committee and the Armenian Council of Ministers on this problem, the other day, must be monitored constantly.

The complex of problems concerning further expansion and use of Armenian power capacities must be the object of most careful scrutiny by the Armenian government. This must be done without delay.

The situation arising in capital construction today causes serious concern. The number of contractual organizations not fulfilling capital construction plans nearly doubled in the past year. Production rates of construction industry enterprises and of the construction materials industry dropped abruptly. For 11 months of the past year, the acceptance of fixed capital made up a total of 36 percent of the annual plan. The total volume of contract operations was fulfilled by 86 percent. Labor productivity in construction decreased by 1.4 percent.

An intolerable situation appeared in construction of social items and items related to the social amenities. For the period indicated, the annual program of putting into operation was: 58 percent for housing, 74 percent for schools, 50 percent for pre-school institutions, 9 percent for hospitals, 26 percent for out-patient polyclinics, and 25 percent for clubs.

At the September plenary session of the Armenian Communist Party Central Committee, the work of the Armenian construction complex was criticized severely. However, the leadership of Gosstroy did not take resolute measures to lead the sector out of the crisis situation being created. The situation intensified in connection with tasks involving elimination of the damages from the earthquake. But the inertia of Gosstroy in the worsening situation is startling. Designing and surveying operations and development of general plans and detailed planning projects are being delayed.

In many urban communities and rayon centers, reconstruction operations should be carried out by republican organizations. However, neither specific volumes of forthcoming operations nor contractual organizations have been determined yet. And this is a case which requires restoration and construction of more than 700,000 square meters in 6 rayon centers and 4 stricken towns.

The necessity for urgent adoption of measures to solve this problem was given special attention at a meeting of the Party and economic active members of the republic. However, after this, Gosstroy of the republic did not make the conclusions required. Hasty and ill-considered decisions adopted by them at the beginning of the year worsened the situation in the construction complex of the republic. Instead of working out and implementing a scientifically sound, purposeful program of increasing the earthquake-resistance of buildings being built and

reinforced, including those outside of the zone of the disaster, Gosstroy practically paralyzed the work of construction organizations since the beginning of this year by their unsound decision.

Only 2.2 percent of the limit of capital investments for the year, for the republic as a whole, was utilized in the last month. Not one square meter of housing was delivered. In Yerevan alone, work on more than 500 buildings (85 percent) was stopped. This occurred when, today, more than 90,000 families (before the earthquake, of course) need housing. In Yerevan, one resident requires 7.5 square meters of living space and 12 square meters of general area, on the average. These figures are the lowest of all major cities of the country.

The worsening of the economic situation of the republic is being aggravated by social dissatisfaction. The fundamental course of the September plenary session of the Armenian Communist Party Central Committee for guaranteeing radical change to the needs and social requirements of the people is still not being realized satisfactorily. At each step, we sense the dissatisfaction of the people with the organization of trade, medical, transportation and municipal services and the heartless and scornful attitude toward their everyday concerns. The Council of Ministers must resolutely begin the sequential solution of the urgent social problems and adopt all necessary measures to ensure fundamental improvement in satisfying the social needs of the people.

Special attention must be given to arresting the trends toward a deterioration of providing the consumer market with goods and services. The volumes of production of consumer items and retail goods turnover, as both price indicators and natural indicators show, increased instead of decreasing. However, the point is that the cash savings of the people are growing more rapidly and the gap between supply and demand increased significantly. Because of increases of the shortage of many consumer goods and services, unsatisfied demand for them reached the order of 600 million rubles. Such a situation must cause serious anxiety.

One of the key questions facing us is the improvement of supply of food to the people. There were many speeches and promises but the people today expect specific changes from us. This can be achieved only by strenuous work in all areas of agricultural production.

Success of operation in the agrarian sector today depends, to a great extent, on cardinal reconstruction of economic relations. Everyone understands that lease, family and collective forms of organization of agriculture cannot operate independently if they will not affiliate with kolkhozes and sovkhoses or unite in cooperative unions in order to best adjust their service and solve problems of sale, supply and social reconstruction of the village. Therefore, the Gosagroprom and local Councils must very carefully study and consider how to affect the

functioning of the agroindustrial complex via organizational forms, so that it begins to work more efficiently and provide a yield that will solve the problem of providing a steady supply of food to the people more quickly. In regard to this, there must be serious preparation for development of a qualitatively new, integrated program of economic management of the agroindustrial complex.

The transfer to new organizational structures of administration of the national economy is not being carried out satisfactorily in the republic. Completion of this work in 1988 was stipulated by a decree of the CPSU Central Committee and the USSR Council of Ministers. However, in many ministries and departments, new schemes of management which were approved as early as October-November 1988 still are not in effect. At the September plenary session of the Armenian Communist Party Central Committee, special attention was given to the inadmissibility of a formal approach to this matter and to the necessity of perfecting organizational structures of central systems, ministries and departments, predominantly in the functional aspect.

Regrettably, many of our economic directors showed complete misunderstanding of the importance of the problem and reacted carelessly to the transfer to the new structure of management. Conditions necessary for steady operations of enterprises and organizations on the principles of complete profit and loss accounting and self-financing were not created. This explains, to a large extent, the failure of work on introduction of new methods of management in the structural complex and the system of trade and domestic service at many enterprises of republican subordination.

Decrees of the CPSU Central Committee and the USSR Council of Ministers concerning intensification of integration of science and production and the inclusion in scientific and industrial associations of scientific research, planning and design and technological organizations so that at least 50 percent of the workers engaged in sectoral science would be concentrated in these associations are not being fulfilled. In its turn, the Council of Ministers of the Republic did not take a fundamental position on these problems.

The Council of Ministers has direct responsibility for the situation in social and economic development of the republic. Why is the mechanism of authority vacillating in the attempt to lead the Armenian national economy out of stagnation as quickly as possible, while implementing reform in the economy? You know delay encourages the appearance of new, even more difficult problems. The Council of Ministers, as a rule, pays special attention in its work to solution of current problems with "delivery" of instantaneous effects, does not have a clear-cut strategy nor tactics during solution of major national economic intersectoral and long-range problems, monitors decrees adopted inconsistently and manages the national economic complex of the republic



by obsolete forms and methods. Complex development and disposition of industrial forces are still far from being guaranteed. Sufficient measures for ensuring efficient operation of all enterprises of industrial combines and organizations regardless of their departmental subordination are not being taken. Hundreds of millions of rubles drift from place to place in accounts in the form of non-productive expenditures and goods in small demand and monetary fines for shortfalls (in deliveries). What about the Council of Ministers? It states the facts but, at present, is not finding the levers of authority with which to pull down the obsolete mechanism of management and the inveterate style of leadership.

It is true that the Central Committee regulated the work of the Council of Ministers unnecessarily for many years which affected, to some extent, its responsibility and exactingness in solving urgent and long-range national economic problems. There are some joint decrees! They were occupied with 90 of the most diverse, most frequently economic problems in one year, on the average. But there is another aspect. The council of ministers discuss little and does not go deeply into conceptual problems but, basically, spends time on examination of current problems.

Today, it is necessary to increase the authority of the Council of Ministers and the prestige of its associates, to free the government from petty assessments, to expand its power in solving economic and social problems and in management of the national economic complex of Armenia.

After some time, we shall start working out the 13th Five-Year Plan. Lessons learned from the past and from the earthquake have taught us much. There came a time to rethink the processes occurring in the national economy and to solve problems which predetermine the nature of our development in the last 10 years of the 20th century and, consequently, the place of the ArSSR in the unified national economic complex of the country.

The year 1989 is unusual for us. First of all, we have to fulfill the vast work on realization of decrees of the CPSU Central Committee and the USSR Council of Ministers set for us to eliminate the after-effect of the earthquake. Tens of thousands of people do not have a roof over their head. Normal living conditions have not been restored in the zone of the calamity. A significant part of the able-bodied population still has not found work. At the same time, the course of restoration and construction operations cannot satisfy us. It is not yet possible to return to harmonious and organized work, to purposefully concentrate all forces and means on rapid solution of problems dealing with issues of the day, connected with the vital activity of the people. Vast responsibility for carrying out the work facing us is entrusted to a republican governmental committee, the work of which must become much more active.

We also face scale work on the realization of economic reform, especially if you consider that all sectors of economic production must work under the new conditions of management.

Reform throws light on the most serious problems and permits us to outline the path to their solution and to create preconditions of the necessary sectoral and territorial economic strategem. In order to use this, we must refrain from erroneous solutions, adopted in another time and in a different situation. Without a general economic, including financial, cleanup, we cannot effectively enter the 13th Five-Year Plan and ensure a reliable bridgehead for transition, after 1991, to territorial profit and loss accounting and self-financing.

In this connection, the Council of Ministers and Gosplan must radically reexamine the concept of long-term development of the republic, resolutely repudiate all stereotypes and conventional approaches in predicting social and economic life. In determining the path of development of our national economy, it is necessary to proceed from priority and direct development of the social sphere, the intensification of the effect of the plan on the progressiveness and rationalization of the structure of the demand for basic social blessings with consideration of peculiarities of inquiries of different groups and strata of the population. One of the main criteria of quality of plans should be complete balance of the effective demand of the people with the volumes and structure of the corresponding social blessings.

In order to accelerate social and economic development of the republic, it is necessary to connect all resources and possibilities. We must resolutely reject the fallacious idea that there are not enough resources in our little republic that everything is limited or has been exhausted.

In order to search for additional resources and possibilities, the Council of Ministers must look into each chain of resources to the very end. You know, our greatest resources and possibilities reside not only within a specific sector but also at the juncture of sectors. Only an intersectoral approach will make it possible to reason out measures of their effective use. We have no alternatives other than cardinal reconstruction, turning the entire national economy toward human needs, acceleration of scientific and technical progress, replacement of the administrative system of management by economic regulation, and transition to balanced and dynamic development. Our republic is obliged to follow this path twice and three times more quickly.

#### **KiSSR Official Discusses First Steps Toward Regional Khozraschet**

18200268 Frunze SOVETSKAYA KIRGIZIYA in Russian 22 Feb 89 pp. 1,2

[Interview with Kirgiz SSR deputy GOSPLAN chairman Mamat Aybalayev by SOVETSKAYA KIRGIZIYA correspondent L. Kondrashevskiy: "The Republic on Khozraschet: Prospects, Problems"; first paragraph is source introduction; date and place of interview not given]

[Text] Kirgiz SSR deputy Gosplan chairman M. Aybalayev responds to the questions of SOVETSKAYA KIR-

**GIZIYA correspondent L. Kondrashevskiy.**

[Question] As far as I know, a working group especially established in the republic has finished drawing up a concept or a model for regional economic accountability [khozraschet]. But before we move on to a detailed discussion of this, I would like to determine specifically, Mamat Marilovich, how urgent the necessity for such a project is for Kirgiziya. One must assume that this is not a pursuit of "style," but a search for effective solutions to economic problems.

[Aybalayev] First of all, let us define the term "regional khozraschet" itself. In our view, it is more correct to talk about models of self-management and self-financing of the republic. And the concept "khozraschet" is more appropriate to a production collective, to an enterprise or organization where it is really possible to calculate incomes and expenditures. On a territorial scale, this is much more complicated since here a whole system of economic and administrative interrelationships is in operation, for which it is difficult to give a precise assessment in value terms.

However, let us return to your question.

Excessive centralization of management frequently does not take into account regional demands, suffocates initiative, and engenders a free-ride mentality in local areas. This has led to a dictatorship by the management system, of which authoritarianism and subjectivism are characteristic. For example, our republic controls only 6 percent of our industrial fixed capital, and the rest belongs to the enterprises of all-union ministries. And these—and this is no secret—are interested above all in the plan and, only in the final instance, in solution of social questions in our cities and villages. As a result, the material and cultural life of the population has not received its desired development here, and in some ways there is even a tendency toward decline. Regional khozraschet is intended to help eliminate such distortions.

[Question] To what extent can Estonia's experience be of use here?

[Aybalayev] Estonia was the initiator of this idea but even there it is still too early to talk about any kind of practical experience. So that, in essence, we too are travelling an untrodden path.

[Question] What is the correlation of our republic's imports and exports within the USSR? In other words, how much production do we supply to other regions and how much do we receive ourselves? Even the specialists have conflicting opinions on this score, and this is grounds for a great deal of speculation.

[Aybalayev] According to data from the inter-sectoral balance, which is compiled once every five years, our import-export balance equals one billion rubles, but is not in our favor. In rubles, we import more goods. A

large volume of raw material resources are still being exported from Kirgiziya—wool, hides for leather, tobacco, sugar, and nonferrous metals; electric power is being sent to the unified power system, etc. During the period of the 13th and 14th five-year plans it is planned to create a whole series of processing and science-intensive production facilities here. This, in the final account, will allow us to balance imports and exports and, consequently, to increase the republic's budget earnings for the solution of our own regional problems, first of all in the social sphere.

I have already spoken about the distortions which result from excessive centralization of management. Thus, retail commodity turnover for Kirgiziya came to 3710 million rubles last year, while we produced consumer goods worth 2878 million. Thus, even if 100 percent of the goods produced ended up in the republic's trade network, we imported 830 million rubles worth from the outside. Desirably, of course, the exchange of goods should be on an equal basis.

[Question] At whose initiative is the development of a regional model for Kirgiziya? Who has participated in it?

[Aybalayev] This is a demand of the time of restructuring. In November 1988, by a decree of the republic Council of Ministers, a working group was established consisting of 15 persons. Those participating are specialists from the Academy of Sciences, Gosplan, the Ministry of Finance, the State Committee for Labor and Social Security, the State Agro-Industrial Committee, and the state university. Its composition, as you see, is representative. The group prepared proposals and concepts for republic khozraschet.

At the same time, analogous work was being carried out in Moscow under the direction of USSR Gosplan Chairman Yu. D. Maslyukov and with the participation of the Gosplan chairmen of the union republics, chairmen of the country's economic departments, and well-known economic scholars. They developed the "General Principles for Restructuring Management of the Economic and Social Sphere in the Union Republics on the Basis of Self-Management and Self-Financing."

A comparison of our proposals with the all-union ones has shown that they are close. But there are also certain fundamental differences, about which it is now still too early to speak as discussions are continuing on a number of problems and questions. Final conclusions and results can be expected in the very near future. Obviously, the refined fundamental principles of the republic's change-over to khozraschet will be published for public information and we are waiting for proposals from readers.

[Question] Can this stage be considered a logical continuation of the experiment of shifting Oshskaya Oblast to khozraschet? What sort of lessons can be drawn from the experience of the people living there?



[Aybalayev] The change-over of Oshskaya Oblast to khozraschet in January 1988 encompassed, if you remember, only the sectors of the agro-industrial complex. Some changes have been noted. Thus, the number of unprofitable and low-profit farms declined and there has been a change in the psychology of people—they have gotten a taste for independence in the solution of production and social problems. However, I think that it is still too early to draw final conclusions.

[Question] Many, including leading economists in the country, have expressed their thoughts in the press concerning imperfections in certain documents having to do with economic reform and about the slowness and inconsistency of its practical implementation. Has this been taken into consideration in developing the concept and how much of a barrier can these reasons be to introduction of khozraschet on the scale of the republic?

[Aybalayev] Let us take the Law on the State Enterprise (association). Even with indicators—control figures, state orders, limits, and norms—being passed down by directive, the self-reliance of enterprises has grown considerably. The task of higher management organs is not to “send down” directives in the form of orders, but to regulate economic processes in the interests of the region and of the country as a whole. It is true that material and technical supply still is basically realized on the basis of funds which, of course, reduces the effectiveness of the economic reform. But this is a matter of time and will be resolved with the shifting of supply over to wholesale trade.

But, nonetheless, the laws on the state enterprise and on cooperation have great significance, since they serve as an essential condition for the transition of regions to self-financing. However, the formation of earnings and the procedures for their utilization have varied status on the levels of the republic, the oblast, the city, and the rayon. Besides this, while the earnings of an enterprise are designated for production activities and are used only in part for the solution of social problems, then the expenditure of regional funds has above all a social orientation.

On the other hand, the better each enterprise works, the higher will be the well-being of the region and the better will be the balance between the monetary earnings of the population and the volume of goods available. Therefore, republic self-financing and khozraschet at the level of the labor collectives are mutually interrelated and will supplement one another.

[Question] As it applies to the enterprises, we talk about two models of khozraschet, although both of them are imperfect. Are these models applicable to the khozraschet complex of Kirgiziya, and which of them is the more suitable?

[Aybalayev] Yes, there is now a polemical argument surrounding the models, about which of them is best. Preference nonetheless is being given to the second, which more fully responds to the principles of khozraschet: material expenses are deducted from income and standard deductions are made, and all the rest remains at the disposal of the labor collective. The more the income, the higher also the wages and the funds for production and social development. However, unfortunately, enterprises so far are unable to make full use of earned funds for their designated purposes because of a shortage of certain kinds of resources and weaknesses in the construction base.

[Question] What is the further path of the working group's proposals through the system, and when is it planned to begin transition by the republic to self-financing?

[Aybalayev] As has already been said, only the general principles for the republic's transition to self-management and self-financing have been worked out. Ahead lies thorough study of questions of the interface of all-union and republic and of republic and local budgets and of questions in the field of mutual relationships between the all-union level and the regions in planning social and economic development, as well as the development of corresponding USSR and republic legislation.

This year will be decisive in providing a juridical foundation for the independence of the republics in the economic and other areas. Following the elections, a congress of peoples deputies will convene, which will decide a whole series of questions connected with the transition of the republic to new principles of management and financing. This process is supposed to be basically completed during the current five-year plan, so that already during the next five-year plan the republic will receive its own kind of economic sovereignty.

#### **Kirgiz Conference Discusses Potential of Bank Reforms**

*18200163 Frunze SOVETSKAYA KIRGIZIYA in Russian 12 Jan 89 p 2*

[Article by V. Kiryanov: “Work for the Ruble”]

[Text] Radical economic reform has not bypassed the credit system. As a result of its reorganization in the republic in 1988 specialized banks were established—Promstroybank [Industrial Construction Bank], Agroprombank [Agro-Industrial Bank], Zhilsotsbank [Bank for Housing and Municipal Services and Social Development], Sberbank [Savings Bank]. Their activities are coordinated by USSR Gosbank [[State Bank], which is entrusted with implementing a unified credit policy and managing money circulation.

The first results from banks' work in the new manner show that they have become more thoroughly involved in the essentials of economic processes, and are more

effectively using tools for managing credit. Here is an illustrative fact: While previously the annual growth in credit considerably outpaced the growth rates in production, circulation and services, now the tendency is the opposite. This is because with the transition to cost accounting and self-financing, enterprises have started to more economically use credit, while banks are making credit depend upon enterprise final work results and their financial situation.

At the same time, quite serious shortcomings have been revealed in the organization of specialized banks. For example, increases in the time it takes for bank documents to arrive lead, first, to delays in entering money to clients' accounts, and, second, to delays in paying suppliers. As a result, there are increases in defaults on their accounts. During some periods banks are inflexible in shifting cash. There are frequently delays in allocating money to pay labor collectives. In nine months of last year alone, Sberbank granted more than 100 million rubles of personal loans without taking risk into account.

The goal of a discussion on the subject "Improvements in the credit and banking system" conducted by the republic Scientific-Economics Society was to understand these problems and to give specific recommendations on solving them.

Y. Glasunov, deputy minister of finance, Kirgiz SSR and chairman of the Finance and Credit Section of this society, said, "We were able to involve in this discussion not only workers at republic city and rayon institutions for specialized banks, but also managers and specialists at financial-economic services of ministries and departments and representatives from scientific and educational institutions."

In her report, L. Pismennaya, deputy chairman of the board at the Kirgiz Republic branch of USSR Gosbank dwelt especially upon the timely payback of credits. When enterprises do not meet their obligations to banks this threatens the state loan fund, the resources of which are not limitless. This is why L. Pismennaya thinks it necessary to sharply improve the economic substantiation of credit requests and to assure that loans are paid back on time.

T. Ivanova, chief of republic Gosstroy's Financial Department, noted that the creation of sectoral banks has not improved accounts with the construction complex. There have been significant complications in the monitoring of control over the timeliness of settling work completion accounts with clients. While previously financing accounts were at two banks, they are now at four. There is a marked increase in the time it takes for documents to arrive at banks and filling them out has become more difficult. Most importantly, practical experience shows that the introduction of accounts by stage and complex has not promoted the introduction of

projects within established deadlines. Therefore T. Ivanova suggested returning to accounts for the object as a whole and the introduction of a commercial output indicator for construction.

In speaking about the advantages of the new rule on granting credits for consolidated objects, V. Chagovtsev, chief of the republic USSR Agroprombank Administration for Financing Capital Investments, stressed that this procedure will improve the linkages between credits and the capital investment plan and will promote the more complete realization of the objective principle for concentrating attention on final economic and social results from capital investments.

Dotsent T. Maralov, chief of the Bookkeeping Faculty at the Kirgiz Agricultural institute imeni K. I. Skryabin, noted that in giving credits to APK enterprises the Agroprom bank poorly monitors their use. G. Dyykanbayev, senior scientific associate at the Kirgiz SSR Academy of Sciences' Institute for Economics, stressed that the activation of credit involves not only help to lagging enterprises and the stimulation of scientific and technical progress, but also the search for new non-traditional forms of credit. A well based determination of interest rates becomes especially urgent in this regard.

Speaking during the discussion G. Azhimudnova, department chief at the republic branch of USSR Zhilstroybank, V. Baranova, chief of the Planning-Economic Administration at the republic branch of USSR Sberbank, and other individuals made suggestions regarding improvements in relations between banks and clients and in accounts in the republic's economy. Recommendations were made which will help banks become active conduits for the use of economic methods in management and to thoroughly assist in the development of socialist entrepreneurialism.

**Nakhodka Official Discusses Far East Development, Free Economic Zone**  
*18200193 Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 8 Feb 89 p 3*

[SOTSIALISTICHESKAYA INDUSTRIYA correspondent A. Subbotin interviews Yu. Merinov, first secretary of the Nakhodka Party gorkom: "Nakhodka a Goldmine?"; first three paragraphs are introduction]

[Text] There are no "special economic zones" or "joint enterprises" mentioned in the Long Term State Program for Developing the Far Eastern Economic Area between the Present and the Year 2000. Nonetheless, there has been more and more talk about them in the last few months. Is this the spirit of reform speaking? Certainly it is! But why put them in the Far East of all places?

The reason is its favorable location. The Far East borders the "Asian tigers;" that is, to put it in graphic terms, it is close to that cauldron in which the future of the world economy is being brewed.

The Far East is also attracting economic innovation for another obvious reason. Even billions of rubles will not be enough to patch up its social gaps. In fact, given the way the administrative apparatus is configured, any money would just vanish into thin air. So the next question is whether there is any point to modernizing the economy of the Far East without looking at what the other countries in the area have learned? This question is being dealt with not only by the institutes and departments of Moscow, but by managers, planners, and party officials in the Far East. We heard the local view from Yu. Merinov, first secretary of the Nakhodka Party gorkom, who was interviewed by our correspondent A. Subbotin.

[Merinov] In my opinion, our strategy should include the creation of joint enterprises and stock companies, as well as the recruitment of foreign manpower (within reasonable limits, of course). This will enable us to develop the Primorskiy Kray and obtain advanced technology.

We have definitely got a manpower shortage. But at the same time we have manpower available. China and Korea are right next door, and they are ready to send us people (at a good price too). What will it cost us? They say: "We are ready to design, build, and hand over 'turn key' plants; in return, we want metal, cement, and fertilizer." Unfortunately we have our hands tied when it comes to disposing of these products.

[Subbotin] I have heard that there are colossal reserves of secondary resources in the Far East.

[Merinov] They are certainly there, but we need hard currency to put them to work. Anyone who starts a business needs a hard currency account. It is the only way a private company will have anything to do with us. The enterprises and organizations of Nakhodka earn hard currency, but it all flows "upward." Since we are considering free economic zones anyway, we should also go ahead and permit a certain percentage of hard currency to remain with the enterprise that earns it.

Currently, even hard currency secured outside the framework of centralized resource management system is taken by the State. Let me give you an example. In our commercial port we blend and then sell coal. Promeksport [Industrial goods export agency] takes 20 cents per ton off the top. The dock workers earn the money with the sweat of their brows, and the ministry takes it out of their pockets.

[Subbotin] So, hard currency is a crucial variable, and there is no incentive to acquire it. Is this yet another lesson in what happens with a requisitioning system? In fact, isn't the country losing hard currency because of these policies?

[Merinov] Yes. We can use the same petroleum complex as an illustration. The complex collects water containing fuel oil from tankers, processes it, and produces a fuel

mixture. This is sold abroad for hard currency. But why shouldn't we benefit from this sale? After all, we did not use any state money at all to make the mixture.

[Subbotin] Obviously, we are not going to make the problem go away by issuing official decisions or awarding special authority. The entire system of commercial relations is going to have to change. We cannot continue trading one pile of something for another, like Columbus did when he exchanged beads for gold. Experience shows that our trades are not always equal. Soviets involved in commerce often end up on the losing end of a bargain.

[Merinov] And it's especially difficult if we don't know the prices and don't understand how the market works. After all, each element trades according to its own rules: the agro-industrial sector, the maritime fleet, cooperatives. With all that, there has to be some kind of overall coordination. These are the issues that need to be studied by specialists.

[Subbotin] I get the impression that when you call for a coherent policy and a centralized system of cooperatives, you are actually putting today's merchants in the same position the central departments put you in. That is, they fetter your initiative, while you stifle the cooperatives. I am sure you realize it is impossible to create a "central office" where they know everything about everything, losses are indemnified, and you get everything you need for the road. Our foreign trade departments have taught us this in the course of their experience. Instead of studying the marketplace and integrating our economy with it, they tried to "make it follow orders" and serve the interests of the administrative system.

[Merinov] Well, we are not trying to fetter anyone. If somebody wants to be in business, he can be my guest. But before he heads abroad for the China we mentioned before, he has to learn about the interest rates there and the company he will be dealing with. If he doesn't, arrogance will get the best of him. We have seen them in the past saying: "Don't worry. I know the ropes." Too often, the rope ends up around their neck. But this problem is also the fault of organizations like Dalintorg [not further identified], which, despite its experienced personnel, does not solicit clients, does not advertise the services it has available, and does not do any consulting.

[Subbotin] But what about the Association for Business Cooperation, which was headed by former Dalintorg member V. Lozovoy? What can it do to help?

[Merinov] A lot. Right now we need prospectuses, information on market conditions, and recommendations on what to trade and with whom. The Association should offer us all of this, selling it commercially.

[Subbotin] Some scholars feel that now is the time to act boldly and invest a lot in processing the traditional resources of the Primorskiy area. And that we should also use advanced technologies to create new hi-tech products.

[Merinov] I repeat. We have resources. What we do not have is the technologies for processing them. Or if we do have them, they are shelved somewhere in the multitude of industry-run centralized and Far East institutes. My feeling is it would be simpler and more advantageous to start major processing of primary and secondary resources by creating joint enterprises. This is the only way we will be able to acquire industrial management know-how and make international contacts. For us today, a mixed economy is a feasible way to become part of the world industrial process, even though some people have the pre-conceived notion that we will somehow lose our independence as part of the bargain. I think we drive ourselves deeper into bondage when we agree to act as the raw materials supplier of the developed countries.

I realize it is difficult to unlearn our stereotypes. But if we decide to use Nakhodka or some other border city as a free enterprise zone, we have to do everything in our power to encourage the growth of joint enterprises. It is they which will be the foundation of the future "special economic zones." I do not understand what good these economic zones will be if they are surrounded by bastions of the administrative indifference toward innovation that we see everywhere today. Let me offer an example of this attitude. In order to encourage tourism in the Primorskiy area, we are discussing the construction of a hotel with the Chinese. We suggested to Intourist that they take part. "What will we use for money?" they asked. "The hotel will pay for itself in no time at all," we answered. "No thanks," they responded, "build it yourself." The Chinese wanted 17 million American dollars to build the Intourist hotel.

[Subbotin] That's not cheap.

[Merinov] It depends how you look at it. If we invest the 17 million, we will end up with a much bigger return. And why am I so sure of this? Because last year 40,000 tourists passed through Nakhodka. Nine hundred and five ships from 35 countries made port calls. One hundred Japanese children vacation here every year. One Japanese parent said: "The children get 10 days vacation; I get two weeks. If you had a hotel, I would stay here too." So what am I supposed to tell him? How can I explain that I cannot find an office interested in investing a few kopecks to make millions. Foreigners do not understand why city authorities have to ask others for money when the city brings in 100-200 million dollars per year. Even if we only got the smallest percentage of this annual revenue, we could build several hotels.

[Subbotin] In my opinion, you have a pretty good understanding of the market situation for a gorkom secretary.

[Merinov] Unfortunately, I still do not have a professional grasp of the market. But anyway, since foreign trade is a critical element of our policy, it is at the center of my responsibilities as the party committee secretary. Plus I have spent time at sea and managed to see a few things. I have been in the U.S., and I know Japan like the back of my hand.

[Subbotin] So you have seen both the "sharks of imperialism" and the "Asian tigers." The whole menagerie, so to speak.

[Merinov] Yes, I have some basis for comparison. I firmly believe Nakhodka's prospects are good. It can be turned into a veritable oasis, and not just an economic zone.

[Subbotin] Clearly we need more than promising-sounding deals to interest companies in investing their money here. Nor will we be able to interest them by merely demonstrating how they can do business. A business needs a partner. In Nakhodka, for example, businessmen believe that the soviets have all the power, and head straight for the ispolkom when...

[Merinov] But when the ispolkom gets down to signing the contract, they look up portentously and say: "We need to think about it."

[Subbotin] Well, they really do need time to think. They have to figure out how to draft a budget for the area, making sure the ispolkom becomes an equal partner and not a bloated millionaire. So before they can open the floodgates and let foreign capital rush in, they have to create a new economic-relations model for the area and insure the model is based on an effective, complete khozraschet system throughout the area. Infrastructure, which is a major problem in the economic zones, makes this all the more true. It is laughable to think infrastructure can be developed without local help, particularly in Nakhodka itself.

[Merinov] Naturally the attitude of enterprises earning hard currency towards local budgets has a key part to play in the area's khozraschet process.

The issue is balancing the economy in an intelligent, precise way. Joint enterprises will manufacture their products, with some of the yield going to employee salaries. We are going to need a very complex economic mix.

And we are trying to put this mix together. We are working on a model for the city in which the new economic relations will dominate. Jointly owned capital, favorable import and export terms, and a new system governing interfaces with the local budget will all be elements of the model, which will also include guest workers and modern infrastructure. A team of scholars invited by the Nakhodka gorsovet from various institutes and departments in Moscow has already begun

work in this area. Known as Impuls, the team is still a publicly supported enterprise for the most part, although it is quite enthusiastic about what is doing.

[Subbotin] Have you felt that Impuls has had any effect yet?

[Merinov] At least we can see the direction we need to go in more clearly. I should add that through Impuls we were able to invite several of the leading specialists from the USSR Soviet of Ministers GVEK [not further identified] to attend a weeklong seminar. Meetings took place in various locations. We also invited representatives of many cooperatives in the Primorskiy Kray.

[Subbotin] Will Impuls continue to be a publicly supported undertaking?

[Merinov] In December of 1987, the Council of Enterprise Directors met. At that time, it was suggested that Impuls be funded through an offering of shares. So far, we have not been able to establish a legal framework for doing this, although we do have a preliminary agreement. A scientific and commercial center (let us call it that) operating on a contractual basis will be able to recruit experts from around the world if, of course, it has a hard currency account. Its job will be to set up temporary expert teams to deal with various problems, including oil, timber, and secondary resources. This is what we are working on now.

**From the Editor:** We would like to stress that our paper is not the first to deal with the problems articulated in this interview. In September of last year, Professor B. Klyuchnikov published an article entitled "How Will We Answer The Call" (SOTSIALISTICHESKAYA INDUSTRIYA, No 211), in which he treated the issue from a theoretical viewpoint. In this interview, we viewed it through the eyes of a working party official. In other words, today's interview can be seen as an exposition of earlier thoughts. This amplification is warranted given the scope of the problems facing the Far East, and the Kray itself. Although the Program for Long-Term Development for the area does not contain a detailed, practical foreign trade plan, we believe the issue is a long-standing one. The failure to address it in the Program is merely a holdover from the old days.

In the Primorskiy area, and in Nakhodka, a decision has been made to do things differently. And as we can see, people are attaching considerable promise to the growth of the mixed economy.

But all these plans will be no more than good intentions if the economic reform fails to solve the global problems of foreign trade. After all, the question is not how well heeled we can be in Nakhodka. The question is which model we can use to make fundamental improvements in the way we live.

We hope specialists and readers alike will send us their views and suggestions about the issues discussed in today's interview. We feel it would also be helpful to invite representatives of Impuls to participate in the discussion of these issues before we return to Nakhodka, where we will conclude our series by looking at how economic innovations establish themselves.

### **UzSSR Economy Falls Short in Many Areas in 1988**

18200217 Tashkent PRAVDA VOSTOKA in Russian  
31 Jan 89 p 1

[Unsigned account of session of the UzSSR Council of Ministers held 28 January 1989]

[Text] This session of the UzSSR Council of Ministers, which was held 28 January, differed from previous ones both in its content and also in the forms in which it was conducted. Above all, in that not only were the results of performance of the republic's economy in 1988 totaled up, but also the activity of all its sectors in the first 3 years of the FYP was subjected to critical analysis, and the specific causes were revealed and names were named of the leaders who allowed the lag in fulfilling the plans which have been outlined. Broadcasting the session over television made it possible for the population of the republic to familiarize itself more closely with the progress in carrying out plans for socioeconomic development of UzSSR and its individual regions, and also to get answers to most of those questions which are being raised today in the work collectives of associations, enterprises, organizations, and institutions.

The first results of implementation of the economic reform were presented in the reports of A.R. Atadzhanov, chairman of the UzSSR Gosplan, and I.I. Mamatisayev, republic finance minister, and a description was given of the present state of financial work in the republic's economic complex. To be specific, it was noted that last year, say, the national income produced rose 5.1 percent as against the 0.8 percent called for in the plan. There was an increase in the volume of industrial production, three-fourths of the growth of industrial output and the entire volume of construction and installation work were achieved by raising labor productivity. State purchases of raw cotton, grain, most fruit and vegetables, and products of animal husbandry and plans for commodity sales were overfulfilled.

This time the floor was given in the session mainly to those members of the government who headed sectors in which there were shortcomings, oversights, and failure to take advantage of internal potential. An atmosphere of free exchange of opinions was created in the hall, but at the same time, the prevailing atmosphere was one of exactingness with respect to the assigned area of work. That is why many of them had to revise their reports as they were speaking, to evaluate what had been achieved more self-critically, and above all to concentrate attention on the problems that have come to a head and the



strategies for solving them. For instance, attention was called to the fact that UzSSR Gosagroprom and the republic's Gosstroy had not fulfilled the principal economic indicators for the year and had allowed a sizable lag behind the 5-year plan. Serious complaints were also expressed in the speech by V.V. Sudarenkov, deputy chairman of the UzSSR Council of Ministers, addressed to the heads of ministries and departments, associations, and enterprises for ineffective use of production capacity, insufficient effort at retooling and reconstruction, and failure to fulfill a number of their plans for application of new technology.

A large group of interrelated questions, above all those related to social welfare, were discussed during the reports of chairmen of ispolkoms of soviets of people's deputies. The recommendation was made that S.D. Niyetullayev, chairman of the Council of Ministers of Karakalpak ASSR, concentrate the attention of ispolkoms of local soviets of people's deputies and construction contractors on the lag that has occurred and unconditional fulfillment of the plans of the FYP for activation of housing, hospitals, polyclinics, and children's preschool institutions, as well as on improving the production of fruit and vegetables. The Andizhan Oblast Ispolkom and its chairman E.R. Rakhimov were ordered to make a meaningful analysis of the causes of failure to fulfill plans for the production of raw cotton and for assimilation of resources in capital construction.

Summing up the results of the session, G.Kh. Kadyrov, chairman of the republic Council of Ministers, concentrated attention of the members of the government and its staff and leaders of ispolkoms of soviets of people's deputies on the fact that certain constructive changes that had been outlined in the republic's economy had not so far taken on the momentum they should have or spread in all sectors of the economy. It was pointed out that unhealthy things are still persisting in the socioeconomic development of Uzbekistan and in a number of cases are even intensifying.

One out of every 4 enterprises in the republic had a smaller volume of production, and 170 industrial enterprises failed to fulfill plans for contract deliveries. The programs "Meat," "Milk," "Animal Feed," and "Fish," which have been drafted, were not backed up with persistent and purposive effort, and so far they have not been yielding the return they should. A strained situation still persists in the construction complex, where planning targets have not been fulfilled for assimilating limit-allocation of state capital investments and construction and installation work, and there is a large lag in building projects in the sphere of social welfare. There has been no major increase in the receptivity of production to scientific-technical progress; for a number of enterprises and organizations it has not become an unailing condition for restructuring economic activity.

Particular attention was paid to the problems of restoring the republic's economy to financial health. The standard assigned ratio between the rise of labor productivity and the rise of the average wage is not being

adhered to. More than 100 enterprises and organizations in the agroindustrial and construction complexes, the furniture industry, and many branches are unable to make payments today. Targets for the first 3 years of the 5-year planning period were not fulfilled for the volume of commodity sales, for the rendering of paid services, for the production of consumer goods, and as a result the imbalance between personal income and personal expenditure has been aggravated further. It is no accident that on the very same day a session of the Presidium of the UzSSR Council of Ministers specifically examined the state of affairs in production of consumer goods in the republic. Summing up the results, the chairperson emphasized that all these shortcomings could have an adverse effect on the results of operation of the sphere of physical production, which as of 1 January 1989 made the full transition to the new economic conditions.

In the decree that was adopted, the UzSSR Council of Ministers noted that the heads of UzSSR ministries and departments, the Council of Ministers of the Karakalpak ASSR, oblispolkoms, and associations and enterprises under union jurisdiction failed in 1988 and the period of the 5-year planning period that has already passed to show the persistence required to guarantee restructuring of the operation of the republic's economy to meet the requirements of the economic reform and a vigorous social welfare policy.

It was recommended that by 10 February they conduct a thorough and comprehensive analysis of the 5-year planning period up to this point and, consistently developing the radical economic reform, take steps to reinforce the constructive trends that exist in the social reorientation of the economy and to strengthen intensive factors for development of production. Attention here should be paid above all to guaranteeing the rise of labor productivity, to fuller utilization of existing production capacities and physical resources, and to speeding up scientific-technical progress. Organizational and economic activity needs to be concentrated on solving the urgent problems of the rise in the prosperity of the people on the basis of the need to achieve appreciable favorable shifts in the food supply before the end of 1989, to furnish consumer goods and services to the public, and to strengthen the material and technical facilities of the social and cultural sphere.

R.N. Nishanov, first secretary of the Uzbekistan CP CC, spoke in the session.

V.P. Anishchev, second secretary of the Uzbekistan CP CC, took part in the proceedings of the Council of Ministers.

#### **Concept of Regional Economic Autonomy Discussed**

*18200278 Riga KOMMUNIST SOVETSKOY LATVII in Russian  
No 12, Dec 88 pp 15-20; No 1, Jan 89 pp 14-20*

[Article prepared by A. Gaponenko, reader in the ideology division of the Latvian CP Central Committee, and I. Krutova, senior editor in the department for socioeconomic problems of KOMMUNIST SOVETSKOY LATVII, from discussion among economists, financial

experts, and party officials in the Center for Popular Political Education of the Latvian CP Central Committee: "Republic Cost Accounting (Khozaschet): Alternatives for Development"]

#### **Administrative Sovereignty Questioned**

[No 12, Dec 88, pp 15-20]

[Text] The readers of our journal are already acquainted with the material of two discussions organized by the Latvian Board of the All-Union Scientific Economic Society (KOMMUNIST SOVETSKOY LATVII, Nos 10 and 11, 1987; Nos 5 and 6, 1988). Now we offer to your attention an account of a third discussion it has conducted. It was held in the Center for Popular Political Education of the Latvian CP Central Committee and was devoted to the problems of regional-republic cost accounting and to the possibilities for the functioning of the new economic model under actual economic conditions that have taken shape in the republic and in the country. Economists, financial experts, and party officials took part in the discussion.

The discussion demonstrated that all its participants are unanimous on one point—that regions must gain far greater independence in dealing with economic matters and that the center's dictate has to be weakened. But sometimes diametrically opposed viewpoints arose on the question of how to do this.

#### **The State and the Market—Problems of Management and Economic Relations**

A. Gaponenko, candidate of economic sciences, reader in the ideology department of the Latvian CP Central Committee. The problem of regional cost accounting has now grown from an academic problem to a political problem. The determination has to be made as to what direction the republic's economy will develop in. We have come together today to discuss the advantages and shortcomings of each of the approaches to this problem that have now come forth. We economists have been given great responsibility, no less than that of those who would ultimately make the choice.

M. Gavrilov, candidate of economic sciences, docent of Leningrad State University imeni P. Stuchka. As a matter of fact, our discussion is taking place at a time when crucial decisions are being made in the economic sphere. In management theory, the term "decisionmaking" presupposes the possibility of a choice from among a certain number of alternatives. But among what alternatives can we make a choice now? Does the management and the public have the necessary and sufficient number of such alternatives? I think not. This is how the situation looks today: One point of view is dominant, and it is assumed that that viewpoint will prevail. But if mistakes are not to be made, there have to be alternative proposals.

We took as the basis for discussion a document signed by the heads of the gosplans of the three republics concerning the results of a conference held in September of representatives of Estonia, Latvia, and Lithuania on the problems of regional cost accounting. That document identified the main points which we need to discuss: the issues of ownership, the role of the state in managing the republic's economy, including the market, the circulation of money, and reform of the banking system.

Yu. Saulitis, candidate of economic sciences, head of the Chair of Political Economy of the Riga Polytechnical Institute imeni A. Pelshe. When we speak about relations between the economic systems of the republic and the union, then their ultimate model must in my view be this: Out of its own budget the republic handles performance at the nationwide level of only certain functions (defense, diplomatic expenses, the financing of a small number of central administrative agencies, and those programs of union importance that we have an interest in taking part in). But admittedly I find it difficult to define goals of some lower order. True, in this system there must be one other relationship clearly defined—that between the republic and the world market. But here we do not have full clarity as yet.

There is another point to which little attention is also being paid. I am referring to relations within the republic itself. We all hope very much that local soviets will finally come into possession of resources so that they can influence the economic life in their jurisdiction not only declaratively, but also materially.

And the last thing: the state's role has not by any means been traced through the entire system under discussion.

M. Gavrilov. I would like to note first of all that the very concept of regional cost accounting has so far been developed very little. No one denies that the transition to it is necessary. The arguments begin over what we mean by regional cost accounting and how the transition to it is to be made. I see here two basic alternatives between which there can be a great variety of other points of view. The first is to make the transition to regional cost accounting within the limits of the administrative-bureaucratic system that still exists. Starting out on that road means merely transferring to republic soil the entire mechanism that accounts for the existence of the bureaucratic apparatus that functions now at the union level. That method of solving the problem leads the republic to economic autarky, conversion of its economy to self-sufficiency, and in a political sense it harbors the same totalitarian economic system, though now in the particular region.

The other road is to strive for regional cost accounting within the framework of an all-union market to be created and establishment of contacts between individual republics not through administrative-bureaucratic agencies, but thanks to establishment of market relations among enterprises of the entire Union. That is also a



rather complicated problem, if only because there is no unanimous opinion concerning the creation of that all-union market. In any case, it simply does not exist at present. Which means that we cannot immediately set the system of regional cost accounting in motion.

These are the two extreme alternatives. The problem is to find some intermediate links between them, transitional decisions that would at the same time take into account the possible consequences of each of them.

**Ya. Liyepinsh**, candidate of economic sciences, docent of Riga Polytechnical Institute imeni A. Pelshe. I favor purely economic methods of control, market methods. In my view, the tax system must therefore be the basis of a sovereign republic's activity. If we only make a mechanical transfer of all the union enterprises that now exist in our republic to republic jurisdiction, that will yield nothing—the sovereignty of the republic must be based on its obtaining money from those enterprises so that in the subsequent use of those resources it can develop its own republic industry, deal with social issues, and solve other problems.

And one other thing: Perhaps it would make sense for us to discuss which enterprises and on what principles would be transferred to the republic and which would be left under central jurisdiction and the question of eliminating the entire system of subordination we have today and forming economic relations. Why, for example, not abolish the ministries and organize concerns to replace them? Or the ministries might be preserved, but their functions would be restricted to those of a "holding company" [in English in the original]—institutions that possess controlling blocks of stock of other companies, or financial trusts, which coordinate the system of production, which have branches in various republics, and the republics would themselves manage these enterprises through the tax system. Then that entire cumbersome superstructure which today we call management of the economic mechanism would disappear by itself. In my opinion, that is the most acceptable alternative. In Latvia, for example, let there be a branch of some radio equipment company. The republic, pursuing its cost-accounting interests through tax policy, receives something from that branch. But if, say, it becomes unprofitable for the company to maintain such an enterprise on Latvian territory, it might change its product mix or a place might be found for it in the republic with more preferential taxation.

Such a model does, of course, seem unusual, but perhaps there is also a point in moving in that direction. I do not mean to say—down with the ministries! Let them stay, but only in order to deal with strategic issues.

**Ya. Porietis**, doctor of economic sciences, head of the department of political economy of Leningrad State University imeni P. Stuchka. This is all correct, to be sure, but here is what I would like to talk about: What does it mean to achieve cost accounting? It means

achieving full self-support, that is, compensation of resources consumed to produce the product and to produce a certain surplus product. How, by what means, is that achieved? Along the vertical—from each worker to the ministry (assuming they remain)? Or along the horizontal—from the local soviet, that is, the region where there are a certain number of enterprises, to the republic and beyond? I think that we will suffer from various evils until we make a system from these two approaches. But how is to be done? It seems to me that we have already begun to develop fairly well along the vertical, although by no means everything has been done in that direction as yet. As for movement along the horizontal, here there are a number of obstacles standing in the way of development of republic cost accounting. First, there is the differing structure of production—in our republic we have extractive, manufacturing, and tourist branches. Second, the "scissors" between prices and the real value of the product, which determine that some republics will be producing products with a low rate of profit and others with a high rate. Third, the absence of precise criteria as to the results of work, which is to say of accounts among the republics. If, for example, all the money we possess were marked—this ruble for settlement in Latvia SSR, this in Estonia, and so on, then at the end of the year we might observe that Estonia (hypothetically) sold us 1 million rubles more goods than we sold it, or the other way around. On that basis, we could plan our activity for the coming year. Fourth, the form through which income is drained is very important (we create a surplus product, those who have taken part in its production: the country, the republic, local soviets, and so on, must obtain their respective share from its sale). As we see, the obstacles are serious, and only when we remove them will it be possible to talk about republic cost accounting.

And further: the question is often raised of whether it is possible to introduce republic cost accounting in the form of an experiment in a particular republic or group of republics. I think that this is possible in the initial stage. But a definitive solution to this problem is possible only on the scale of the entire union. Otherwise we will only compound the already unenviable situation of those republics which now have an unprofitable production structure, an unbalanced price level, and commodity flows that have not been well-thought-out.

**A. Gaponenko**. How do you see these horizontal relations among the republics? If all enterprises are the property of the republic, then, of course, it can monitor and influence that process directly. But if this is the system of a market economy, how will it be possible to control interrepublic and interregional relations? Perhaps through customs duties, tariffs, as in world practice? Or in some other way?

**Ya. Porietis**. I think that who is the owner is not so important here. The main thing is who possesses, distributes, and mainly receives what is produced. Regardless of whether this is a union or republic enterprise, just

so this principle is adhered to: whoever produced the product realizes the results of work. Then he must make payments on the principle of shares to the Union, to the republic, and so on. That is, here we are talking about deductions paid into the budget.

**S. Dimans**, candidate of economic sciences, docent of Leningrad State University imeni P. Stuchka. A few words about the terms that denote the phenomena being discussed today. I think that the term "cost accounting" has in this case been chosen quite at random, since in the absence of a theory of regional economics we have attempted on the fly to carry over to the region the principles of the cost accounting that is in effect at enterprises. As for sovereignty, it is not by accident that we are unable to define it—the level of integration of the republic economy into the all-union economy is so significant that difficulties arise at once. Even the fact that relations between the republic and the Union are frequently structured, as they say, askew, does not eliminate the fact that the republic's economy is literally bound to the all-union economy. And it is not possible to sever all those relations in an instant. So, let us not try to do what we are not realistically able to do.

In that light, the most appropriate term would in my view be "the independent economic activity (samokhozyaystvovaniye) of the republic." Its use makes it possible to express the basic principles of the new economic mechanism which we expect to adopt in our republic. The first is that the prosperity of the republic, the possibility of its social development and development of its production, are entirely determined by the results of economic activity achieved on its territory. The second is that the republic gains an opportunity to influence that activity and to dispose of its fruits at its own discretion. The third is that relations among republics are structured on principles of equivalent exchange. The fourth is that the republics help one another without violating the principles of that kind of exchange by making deductions to appropriate funds.

That is the level of economic activity which, it seems to me, can be fully conceived at the present stage of development of our economic theory and practice. It can also be realistically implemented. Of course, the question immediately arises of the mechanism of that independent economic activity. We must say at once that the economic independence of the republic is not the independence of its bureaucratic apparatus, but the "sovereignty" of enterprises on its territory; they must earn money, and the republic will use a portion of that money for its own internal needs.

**Yu. Netesin**, doctor of economic sciences, head of the department of political economy of the Economics Institute of the LaSSR Academy of Sciences. When we speak about the cost accounting of the republic, we are thinking mainly of the principles on which the regulating economic center would operate, its relationship to others and to itself, what it consists of, and what is the primary

resource of its social production. And if that is the case, then we come to the natural and quite simple conclusion that that regulating center does not initially possess anything except land, water, and air as the things it owns. It is clear that at the outset there is not a grain of value in those resources, but we employ them in the process of social reproduction, and then the phenomenon of rent arises. Which means, if we take this road, we can say clearly and definitely: the primary resource of the controlling republic center is rent. Specifically, what kind of rent? Usually, we say—taxes. But, this is after all the same thing as payment for a lease. And it can be anything at all. That is why we must gain an understanding of this system of payments to the regulating center.

But external relations still have to be structured on the basis of a clear idea of what the balance of payments is. Show me today the balance of payments of Latvian SSR. This cannot be done. But if we take the balance of payments as an instrument for structuring relations with other economic regions, then it will be a wonderful basis.

**E. Zelgalvis**, doctor of economic sciences, professor in the Chair of Finance and Credit of Leningrad State University imeni P. Stuchka. In your scheme, what is the definition of republic cost accounting?

**Yu. Netesin**. This is how I understand that term—the republic as a single entity enters into a system of equivalent relations structured on the basis of the laws of commodity-money relations with other areas of the union or world market. And that determines self-support, the interest of the republics in the results of economic activity, and so on—that is, everything that we think of when we talk about cost accounting in general.

**A. Kalnynsh**, member of the academy, director of the Latvian Scientific Research Institute for the Economics of the Agroindustrial Complex. First, I will begin by saying that I agree with the idea of the existence of many alternative models of republic cost accounting. But I would note that at some stage we must arrive at a minimum of those alternatives, but they should be substantiated in detail, finished, as it were. The research done in Estonia and Lithuania allows us even now to speak of the existence of 2-3 alternatives of republic cost accounting.

Now about the problems of the all-union market. The thesis has been expressed here that good conditions for the operation of the individual republics are possible only if it is created. But we might wait a very long time for that, and in the end nothing might come of it. We need to begin all the same with a certain group of republics and conduct tests and experiments there. As for a balanced and finely adjusted all-union market, it seems to me that the hopes for it are a grand illusion.

Another idea—concerning the ultimate goal of the transformations we intend. I think that this is not economic sovereignty for itself, but an increase in our prosperity. Republic cost accounting is only a means of achieving that.

**V. Roldugin**, candidate of economic sciences, chief of the economic planning department of the Latvian Republic Bank of USSR Agroprombank. It seems to me that it is no accident at all that we talk so much about the market: everyone knows that the transition has to be made to market relations; what is more, slowly but surely they become the issue, and it is not possible to forget about this. On the contrary, we must constantly think about what the market will be in our country and about exactly who will regulate economic relations. This is the situation that is taking shape now: we will make the transition to regional cost accounting, and that will mean that both the republic and all-union markets will exist. As for economic relations, they will actually be regulated by the latter, since we are part of the Soviet Union. Of course, the local market will also have its effect on the union market, but in the end we still will come even with all-union prices, rather than their being oriented toward the prices that exist in our republic. That is why we are now in a very complicated transitional period, and I agree that the methods of management must be appropriate to that period.

**G. Olevskiy**, candidate of economic sciences, docent of Leningrad State University imeni P. Stuchka. I feel that the following needs to be said in altogether specific terms: The republic's capability to achieve independent economic activity is unique from the standpoint of its social orientation. The economic mechanism that exists today is clearly oriented toward production. The sovnarkhozes offered us the opportunity to reorient production toward man, but we did not take advantage of it. Now we are being offered such a case once again—of making the transition to regional management of production, of subordinating it to the interests of man. I think that this is very important and that we should not by any means allow this fundamental point to escape our consideration.

But there is only one question—Are we able to make such a transition? For instance, we have been working out the conditions of our own independent economic activity, we will provide it constitutional guarantees, but is our economy ready for that kind of abrupt switch to operation on the principles of cost accounting? I will be so bold as to assert that it is not ready, since present-day physical production still functions in the system of a nonmarket economy. And that situation is hardly going to undergo any radical change overnight. That is why it seems to me that we must talk about having been given an opportunity to prepare an experiment and nothing more than that. But thorough preparations need to be made for it, above all from the standpoint of internal

economic conditions. Specifically—structural reorientation of production in the very near future (the opportunities for this already exist in our republic), discover without delay the weak points in the republic economy from the standpoint of its pernicious effect on man and nature. We have to find instruments for protecting ourselves against inflation, and that means doing everything to establish cost accounting at enterprises.

But I see the main constructive purport of all the upcoming transformations in the solid economic mechanism which has to be created in the republic and in its juridical reinforcement through adoption of our own Law on the Enterprise and development of our own tax system. When I said that we are not ready for the transformations, what I had in mind was that if we approach further improvement of the republic economy step by step, then we risk losing time. I think that these processes need to be carried out simultaneously and all opportunities of the existing economic system utilized as fully as possible. In Latvia, there is republic light industry and food industry, the building materials industry, even now we could undertake something in those branches.

And one more detail: We constantly look upon the union economy as though it were on a single level, but we have to assume that levels of economic development of various regions are in fact different. And if we wait until the entire Union comes up to a certain level beyond which restructuring begins, then we will lose those unique political opportunities we are being offered today. That is why the republic needs to undertake something. Certain losses are, of course, possible. Just remember Yugoslavia: the federal principle of its economic development is now generating appreciable dislocations, and one of the reasons is that the self-management of work collectives has in many cases proved inefficient. This could possibly become one of the stumbling blocks that will trip us up.

**A. Gaponenko**. Well, it is difficult not to agree with G. Olevskiy's arguments and conclusions. But I have this question to put to the participants in the discussion: If Latvia becomes a cost-accounting republic, then we will have to distance ourselves from certain adverse phenomena brought on by the all-union market. How do you propose to solve this problem in practical terms? It is one thing to establish taxes and another to establish your own citizenship, set up a customs department, prohibit the export of goods....

**A. Kalnynsh**. When the republic has sovereign status, psychology will change. We will not prohibit the export of goods, but on the contrary, we will begin to look for a market to sell them outside Latvia. We need to earn money selling food, for example, in order to buy energy resources. And we will also be interested in manufacturing those same railroad cars; after all, they can also be sold at a profit, so why eliminate their production?

**I. Peshkov**, candidate of economic sciences, laboratory chief of the Latvian Scientific Research Institute for Light Industry. I would like to say that we are witnesses to and participants in a tragic situation in which our economic science has found itself as a consequence of the priority of politics for many years over science in general and over political economy in particular. And today, when history has offered our political economy the possibility of again becoming a science, we cannot do this, we are unable to do it. In essence, we are like the blind mule constantly going around in circles. Earlier, we followed certain political conceptions and proved the advisability and inevitability of a centrally managed economic system. But now, when the opportunity is offered to change something, instead of getting our bearings, instead of finding the "golden mean" between centralization and decentralization of the economy, in order to please fashionable social and ethnic views, following the turn in politics, we rush to the other extreme and build a model of economic development premised upon it.

But after all, the economy has so much built-in inertia that if tomorrow we issue an order to eliminate all previous relations, to destroy the old organization of production and to create new relations, this will have only one result—economic collapse. What we need is not only to destroy and tear down, but immediately, without delay, create something in its place. The economy must be managed, there have to be forms of some kind that would allow it to function. In my view, irresponsible experiments with the economy are too dangerous.

Something needs to be changed, that is obvious to everyone. As for the forms through which those changes are made, certain ideas have already been expressed here on that point, including the idea of converting one or several republics to cost accounting. This reminds me very much of the well-known situation in which the general rule of driving on the right is retained in traffic, but 10 percent of the vehicles are as an experiment to drive on the left, and we will see what comes of it.

Without a reform of prices and of the entire banking system, without the same kind of major changes in those regions with which we now have economic relations, the experiment would seem to be doomed. Without creating the condition throughout the entire system of economic relations that exists in the country, then, "wrenching free" one of its elements and building new relations on its foundation seems to me not only unrealistic, but even dangerous.

**Yu. Saulitis**. But when will those conditions general to the entire country be brought about? Will we have to wait another 70 years?

**I. Peshkov**. I cannot say within an accuracy of several years how long we will have to wait. But however that may be, until such changes do take place, the problem cannot be solved—whatever the methods applied, they will be unsuitable.

**M. Gavrilov**. I would like to support I. Peshkov's idea about the vehicle going against the general flow of traffic. This is a quite real danger, and it needs to be looked at soberly, without excessive emotion. After all, even if we adopt an autonomous system of economic activity in our republic, at those enterprises in other regions with which the republic has connections the mechanism still remains as it was. Which means that all matters will have to be decided as they were previously, through Moscow, by means of the same ministries. Instituting regional cost accounting in the republic will not reduce the pressure of the administrative press on all the other oblasts and regions—it will be just as powerful. And unless an attempt is made to somehow change the general situation, to weaken that pressure, we will find ourselves in a very, very unpleasant economic isolation.

**A. Gaponenko**. I have framed the conclusion for myself from an analysis of the statements that have been made that the choice in the republic is not broad: either complete separation with our own domestic market, customs, a system of taxes, and so on, or solving regional problems within the context of the entire country, because all problems that arise concerning the various aspects of economic activity go up to the union level. It is difficult to solve them within the republic, and nothing at all will be achieved unless they are solved.

**S. Dimans**. I have also been thinking about this all the while. As a matter of fact, there is the first alternative in which the republic undergoes restructuring simultaneously with the restructuring of the entire union economic model. This is a peaceful road with hope for the future. But what if we do not trust the all-union model, its capacity for self-development? Then a natural desire is engendered to move apart, and then to unite again, but at a completely different level of development, on a different foundation, on the principles, for example, of the Common Market in western Europe. But here again there is a danger that in my view is quite realistic: that road presupposes creation in every republic of a kind of "khutor system" with its own feudal model of the circulation of money and so on. Nevertheless, insofar as I understand the political situation, it is this latter road which is probably the more acceptable to us at present, since we see that the introduction of the all-union cost-accounting model is at present going forward with very great difficulty.

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#### Property Rights Examined

[No 1, Jan 89, pp 14-20]

[Text]

**A. Gaponenko**. Property relations lie at the base of any economic system, which is why we have to examine them. This is my point of view: we need a property



structure that would simultaneously include union and republic property, the property of work collectives of enterprises and cooperatives, private property, and also various mixed forms of property—for example, state-cooperative ownership. Those enterprises which are now under union jurisdiction would pass over to union ownership, and those under republic jurisdiction would become republic property. There should be municipal property—what belongs to the city, the rayon, or the rural soviet.

The monopoly that exists now would disappear in such a system. If we make the transition to predominantly republic ownership, then in my opinion we will get all those adverse phenomena which we now have concerning all-union ownership, only then it would be at the republic level. It seems to me that then we would have the same thing as in Yugoslavia where after the well-known reforms were carried out the individual republics began to suffer from those same bureaucratic ailments which up to then the Federation as a whole had suffered from.

What do I see as the danger here? The creation of a local bureaucracy which will again make monopoly decisions, only at its own level, the level of the republic. These decisions will not be effective either, because the bureaucracy, just as in the past, will not be economically liable for them. And consequently, we do not achieve higher production efficiency either.

**M. Gavrilov.** And then there is the mirthless joke that the local bureaucracy will be worse than the Moscow bureaucracy, since it will better understand the republic's internal problems. And surely we should not forget that whether we like it or not we find ourselves in a system of command-bureaucratic management of all domains of life, a system based on coercion and the all-embracing character of state ownership. It is an exceedingly complicated problem. The way we treat the role of the state, the functioning of the banking system, the issue of the market and money, will, it seems to me, depend on its solution.

**G. Grantynsh,** doctor of economic sciences, professor of Leningrad State University imeni P. Stuchka. It seems to me that today there is too much talk about ownership at the formal level. What we ought to be discussing is how that right of ownership is to be exercised? After all, you will agree, it makes little sense if we merely divide up the pieces on the principle of whether they belong to the state, to the republic, or to the municipality. The main thing is delineating the functions of management and appropriation of the results of activity on the basis of that ownership. Of course, it is difficult here to differentiate on the basis, say, of percentage. But in my view, republic state ownership must still occupy the predominant place in that system. Nor should we fear invigoration of a local bureaucracy—the process of democratization of society is already proceeding vigorously, true popular sovereignty is developing, and some of the

functions of management are passing to local soviets. And if we in the republic are dissatisfied with the actions of our own bureaucracy, then I think we can always bring influence to bear on it.

Sometimes we talk about a pure market mechanism, about absolute enterprise independence, about denying the role of the managing center—this, in my opinion, is a step backward. The basic functions of management have to be preserved: for example, those which guarantee the interrepublic division of labor and mutual relations of enterprises, republics, and regions.

**Ya. Poriyetis.** I will mention an interesting case that indicates how difficult it is to exercise the right to ownership at the local level. The Riga Railroad Car Plant was supposed to pay the city soviet about 1 million rubles for above-limit labor resources. When a dispute arose, it turned out that the Law on the State Enterprise contains a provision by which the plant was guided in arguing that it was not required to pay. But there is another provision whereby the lawyers of the gor-ispolkom assert that the payment is required. How is it going to be? I would consider republic cost accounting to be a combination of regional self-support with the self-support of each individual enterprise.

**A. Kalnynsh.** More than once I have encountered an uncomplicated examination of the problems of property. Recently (even in the model we developed), the term "republic property" has been introduced. But no lawyers were involved in our adoption of it. Now they themselves are working on this problem, and I would like an interpretation of this term. I certainly will not be saying anything new if I merely refer you to articles in the press which speak about what we mean by it: republic ownership of the means of production is a form of ownership of state, cooperative, collective, and private producers. And further: state and cooperative enterprises and private producers directly exercise the right to use and dispose of republic property. Their activity is regulated exclusively by the system of taxes and other economic levers. Economically independent state and cooperative enterprises and organizations, joint stock companies, and self-employed persons are the basis of the republic's economic independence.... And now here we are discussing at length whether or not a local bureaucracy is becoming active. Yet no one is even advancing such a model, that is a stage that has already been passed.

To go further. The main thing today, in my view, is to guarantee the functioning of that economic mechanism, how to see that the republic's Supreme Soviet can authentically manage those enterprises. Why republic ownership? What we wanted to emphasize here is that it is the Supreme Soviet as the exponent of the interests of the people, not the union ministry, that has the right to define the system of economic influence on those enterprises. That is in fact the most fundamental point. Another term could, of course, be used, but the principle

must remain the same—it itself must dispose of everything that is located within the borders of the republic. And only when we begin to create joint stock companies with enterprises of other republics will there come to be mixed ownership in diverse variations.

**A. Gaponenko.** And what will the republic collect from the enterprises? If only a tax, then this will not be republic ownership, but enterprise ownership. And if it is republic ownership, then the republic as owner should collect both a tax and the entire profit....

**A. Kalnynsh.** Republic ownership presupposes only that the republic's Supreme Soviet has the right to define the economic mechanism in its own jurisdiction—the tax system, the instruments for influencing the activity of enterprises, and even some aspects of limit prices. But in no case does it have any right to other participation in enterprise income.

**G. Olevskiy.** The term "republic ownership" seems incorrect to me as a political economist, just like the term "all-union ownership," since in both cases we are dealing with dictate concealed behind a theory. Whose dictate? Union ownership is dictatorship of branch ministries and departments, republic dictatorship is the arbitrariness of regional administrative agencies. That is why I do not support these terms.

**S. Dimans.** It seems to me that ownership has in our case become a kind of theoretical bugbear. We constantly drag it out and put it on the agenda, but we never know what to do with it. Let us analyze ownership somewhat later, but now let us lay down only basic principles. For example, I like the category of disposition. Then one can say precisely: The people as a whole are the owner, but the republic has acquired the right to dispose of a portion of that property. This category is in my view the most effective and operative, it can be used as the basis for building something. But it is a rather complicated matter to build anything on the basis of the term "republic ownership."

**V. Gurov,** candidate of economic sciences, docent of the Riga Red Banner Institute of Civil Aviation Engineers imeni Leninskiy Komsomol. There are two points of view here. The first is an attempt to approach cost accounting from the angle of republic state ownership, as has in fact been set forth in the joint documents of the gosplans of the three Baltic republics and in the conception of A. Kalnynsh, member of the academy. Here, the relative independence, the sovereignty of republic state ownership constitute the "striking force."

The other point of view, which I also share, puts emphasis on the market, on the independence of commodity producers, on a pluralism of ownership. In this case, the state figures as a kind of regulator.

But these two approaches are fine in theory, while in life everything is far more complicated. Often, many issues seem, especially emotionally, to be resolvable if we rely on the strength of the republic economic apparatus. What is more, the activity of the People's Front of Latvia, which is becoming more vigorous, is also a kind of pressure on the traditional bureaucracy, and it is no accident that many people see the People's Front as the instrument that will be able in political and social terms to offset the shortcomings of the bureaucracy that have been manifested in the setting of priorities and the taking of specific management decisions—economic, social, and others. That is why I can agree with that platform, but only if we see it as an initial step, from the point of view of Professor Yu. Saulitis. At first, it is quite possible to declare the state economic sovereignty of the republic and to snip off all the threads leading from the bureaucrats in Moscow. But this is possible, I repeat, only as a beginning. Later, that cutting off of economic relations and dependencies along the vertical cannot be used to solve the problems of the internal market and the problems of building the all-union market.

The market conception in its pure form in the republic enjoys far less popularity for a simple reason: the market does not recognize ethnic boundaries. Bad language may be exchanged in the streetcar over who is sitting and who is standing, but when you buy a kilogram of apples at the market, you do not care who is selling them—a Latvian or a Russian, no problems arise except the price. And here I am beginning to argue in political terms: if now an abrupt turn is made toward the idea of the market, if the idea of market independence is pushed into the foreground, then this conception can be seriously criticized from the standpoint of reduction of the share of Letts in Latvia, and so on. A real danger of that does exist. But still in the strictest terms I think that the independence of the republic must begin with the independence of commodity producers. The only question is how to arrive at that. Here again, it seems to me, we must raise the issue of the state as the guarantor and regulator of that process.

#### **Circulation of Money and the Reform of the Banking System**

**A. Gaponenko.** The participants in the discussion have said that we need to combine a market economy and freedom of enterprises managed at the republic level with transfer of certain economic functions to the center. A number of problems arise in this connection which we ought to discuss in more detail. First of all, there is the problem of money. The issue of establishing an independent monetary unit in Latvia and of its relations to the ruble is now being raised in the press. Does this need to be done or not? If not, then by what other levers is influence to be exerted on the market and credit policy and tax policy implemented?

**A. Berg-Bergman,** chairman of the Latvian Republic Bank of USSR Gosbank. It seems to me that the goal of republic cost accounting is to improve the prosperity of

its inhabitants on the principle of "if we work better, we will live better." But to a certain degree prosperity depends on the stability of the circulation of money. That is why, it seems, with the transition of the republic to the new economic model provision is made to grant it the right to establish its own monetary unit and to set its rate of exchange. We know from theory that stability of the money depends on the gold that backs it up and the volume of commodities. At present, we do not have either one. And this gives rise to the danger that if deliveries to the external market are not controlled, there could be an increased flow of money into the republic accompanied by a lack of goods. The experience of the cooperative movement can serve as a confirmation of this; it has demonstrated that a producer who is unable to sell his products in the republic at a high price, will freely export it to other regions where customers are agreeable to its prices. As a consequence we experience an inflow of paper money not backed up with a volume of commodities, and certain difficulties arise in the money supply and inflationary processes are generated. And it is only the state, viewed as a regulating and monitoring body, that can figure as the guarantor in this context. Indeed, it would not be a bad idea for us ourselves, if we want to make the transition to our own currency, to be concerned about setting up a mechanism that would guarantee protection of the republic's interests in this regard.

Now about pricing. Regional cost accounting, insofar as I understand it, presupposes that the republic will independently—as a monopoly, if you like—set prices for the sale of its products outside the region, and it intends to purchase everything necessary on the all-union market at firmly established prices. But who of our trading partners outside Latvia will agree to that kind of "scissors"? So that in my view there is a serious problem here.

And another question. We know about the difficulties experienced by Latvian enterprises that have economic ties with other union-level enterprises, and it would be naive to hope that as soon as we make the transition to cost accounting everything will be settled in and of itself, unnecessary and, in our view, inefficient contacts will become unnecessary in fact, or their number will at least decrease. But what kind of efficiency can we speak of if we do not even know clearly how much of what we are selling and how much we are buying? Earlier, we conducted a survey of records on noncash turnover in the republic. A few years ago it was 26 billion rubles. Now the volume of economic relations has increased. Why do I say this? The point is that so far not a word has been said here about reorganizing the banking system. After all, if economic relations are preserved in their previous volume, and we and Belorussia, the RSFSR, the Ukraine, and Estonia have different currencies, then the labor involved in processing documents will increase 2-3-fold, the rivers of paper which even now we can hardly cope with will flow into the republic in a still greater torrent. After all, we also need to take into

account here passenger flows and migration of population: just imagine, everyone who comes here will have to exchange money. Even now it is rather complicated: people going abroad register in the bank for exchange of currency 2 or 3 weeks before they depart.

So that all of these processes are complicated even from the purely technical standpoint. That is why I think that they cannot be incorporated into the program for adopting regional cost accounting without doing thorough work on them. Appropriate structures, an appropriate apparatus, have to be set up, and that takes time.

**Yu. Netesin.** How do you look on two mutually exclusive situations: 1) the all-union ruble will not do, and there are no signs at all that it is recovering; 2) complications arise with adoption of a new currency, but they are more than offset by the high rate of exchange of the lat on international currency markets?

**A. Berg-Bergman.** As for the assertion that the lat is being quoted on international markets, there are things to be done before it will be quoted there. And that will be possible only when we have goods which might be delivered to the international market. I am not such an optimist as to assert that such goods will make their appearance in our republic as soon as we make the transition to cost accounting. I think these issues will not be solved in an instant: First of all, because our workers have gotten out of the habit of manufacturing quality products; second, engineering thought and design have to really get working; third, the appropriate technical base has to be created for production of world-class goods, which we do not have at present.

I am not against adopting a new currency, but I would like us to have even now a realistic conception of all those difficulties that will have to be encountered along that road.

**S. Dimans.** A. Berg-Bergman has spoken about the so-called technical complexities of adopting a republic currency, but I am more interested in the problems that will arise with establishing and regulating a money market, something we are altogether unfamiliar with. We have not been coping with the commodity market—we still do not have it, and now there will also be the money market. That is why I myself, although I understand perfectly all the advantages of having our own currency, am against its adoption on production and economic grounds. But still, how are the interests of the republic to be realistically protected under these conditions unless the transition is made to our own money?

**A. Berg-Bergman.** In my view, one of the instruments for that kind of protection is setting prices on the basis of the real value of commodities produced. The all-union pricing system is not always correct at present, because the conditions of production differ from region to region.



We need to speak here about that share of income which remains for the republic's development. Standard economic rates have to be worked out for its union and republic parts.

**M. Gavrilov.** How do you see the course of implementation of the reform of the banking system in connection with the transition to regional cost accounting?

**A. Berg-Bergman.** In my view, the state bank as such must be unified. As for the other banks—cooperative banks, commercial banks, and so on—that is another matter. At present, our banking system is chopped up. I favor having Sberbank in addition to Gosbank, since it has its own altogether specific functions, and there should also be another separate bank for foreign economic relations. All the resources of the circulation of money involved in credit financing have to be placed, it seems to me, in the same hands. At present, all of this is scattered over four banks, and the result is that Agrobank, for example, does not have credit resources, and they cannot be obtained from Promstroybank or Zhilstroybank. There must be a single credit policy. Cooperative and other banks may exist—we will never get away from that, but they should perform altogether different—commercial—functions.

**V. Roldugin.** I would like to add to what A. Berg-Bergman has said about several problems. First, the dependence of the activity of the credit system on republic bodies of government needs to be strengthened. Second, Gosbank must become the bank of banks. The specialized banks, it seems to me, should be put on a commercial footing so that they can compete with the cooperative credit and financial institutions that already exist. Sberbank as such is in my opinion not necessary under the new economic conditions, and its resources should be used to build up the credit resources of the specialized banks on a paid basis. Moreover, the latter could themselves accept deposits from individuals.

**A. Stetsyun,** chief of the Operations Administration of the Latvian Republic Bank of USSR Promstroybank. Probably the most painful issue today that is being discussed at various levels in the republic is the problem of the independent monetary unit. But I think nostalgia about the lat in the twenties and thirties is stimulating discussion of this topic by a certain portion of the population: people are saying that if we adopt the lat and we are recognized abroad, it will be a convertible currency on the external market, and everything will fall into place. No, we will not solve our problem by just doing that, above all because every monetary unit must be backed up, as has already been noted here, with gold and commodities. The republic does not have gold to back up the currency. As for the Latvian gold which is stored in a number of banks of the West, I can assure you as a banking official, that when converted to present-day prices, it is not an amount that will save the republic: between its value and the present republic budget there is, as they say, a "distance of enormous extent."

Now about the commodity backing of the currency. In a portion of our population, there is the purely man-in-the-street notion that Latvia is exporting a great many commodities, especially foodstuffs. It is rather difficult today to maintain that viewpoint or to assert the opposite, since not a single state institution of the republic possesses the necessary data for that purpose. But at the very least I do have an idea of those flows which take the form of noncash accounts, and I can compare the quantity of goods being imported into the republic and the quantity being exported outside it. And that is why I express doubt that Latvia today is economically ready to set itself up against the flow of goods which is now coming into it. Certainly, we must not forget that our republic has practically no raw materials of its own to develop many sectors of the economy, nor does it have adequate energy resources. One can, of course, doubt the legitimacy and advisability of developing particular production groupings on its territory when they have not been furnished a source of raw materials. But that is another question.

I agree that even today we feel a need to engage in a serious study of the problem of what each republic's share is in backing the unified Soviet ruble. A. Berg-Bergman has said that this is rather complicated from a technical standpoint. There is no doubt that the reorganization of the banking system which was carried out in early 1988 and was not thought through has only compounded the already difficult situation with settlements in the economy. And after all, the banks are very fragile structures, they need to be handled with care. So what role would they be able to play under the new conditions? Above all, this—that thanks to bank records it is possible to approach as close as possible a determination of the republic's balance of payments.

Today, such a balance is not compiled for any republic, but we need to know the share of each of them in the country's economic development.

And another problem—the credit ruble. Today, the difference between credit money and paper money has for all practical purposes been erased, both the republic and the country have a budget deficit. That is why we need to think seriously about how we will eliminate it. Given the deficit, there is no occasion at all to discuss sound circulation of the money, neither cost accounting nor self-financing at present offers salvation from it—literally, yesterday many industrial enterprises in Riga that have made the transition to the new economic conditions were able to pay the wages of their personnel exclusively by taking bank credit. There is little that can be accomplished in that context by adopting a republic currency.

**Yu. Saulitis.** I have listened to A. Stetsyun with interest, and I must say this: if just one properly prepared general proposal (neformal) were to be presented to us now, I think it would have hard going. Assuredly, it simply is not possible to say whether something is economically

inadvisable or not. We are economists, and that is why we must prove everything with figures. And unfortunately they do not exist. That is why I have a completely specific proposal. When we read the published draft of the Conception of the Republic's Economic and Social Development up to the Year 2005, in its first section we did not note characteristics which in my view are very important. First, an analysis of that real level which we have achieved today. Second, the conception ought to have reflected, it seems to me, what realistically can be done with the resources of the republic itself, and what it does not possess today. A third area might define how, by what methods and means, we could achieve that. Without taking these factors into account, no component can at present be considered at all exhaustive.

**M. Gavrilov.** In listening to the economic disputes over the problem of regional cost accounting, I have been struck by one fact—people will undertake to discuss the currency while at the same time completely overlooking the issue of the banks. Yet the entire circulation of money takes place in the banking system. How should it be reshaped? Not a word is being said about that. What we have now can hardly be called a banking system in its true sense, because that mechanism, which represents only a centralized breaking down of credit investments from the very top to the very bottom, is not a bank. Which means that we need to seek out alternative versions of a reform: Whether to transfer the banking system that now exists to the republic level, but that would be approximately the same as an appanage feudal principality with its own currency; that kind of autonomization of the banking system leads nowhere and is moreover harmful, since it results in economic autarky; or make the transition to an all-union two-tier banking system with three elements—the central bank that holds reserves and issues notes, a system of commercial banks, and a currency exchange mechanism?

Several different versions are possible here. They arise out of the organization of the Central Bank. First, there could be a unified central note-issuing and reserve bank of the USSR in Moscow. But the country is immense, and it is very difficult to regulate the activity of all commercial banks from a single center under the conditions of a market economy. Second, we might undertake to set up a system of regional note-issuing and reserve banks connected by an all-union administration. The regional banks could regulate the activity of the commercial banks of several republics or oblasts. That kind of experience already exists, for example, in the United States: they have 12 federal reserve banks for the 50 states. Third, the transition might be made to a two-level banking system in Latvia: create a central bank in the republic itself that would be part of the system of central banks of the USSR, and a network of commercial banks; that is, do it as it was done in the twenties. But in view of the small size of the republic and the abundance of settlements, it would seem that this is not the optimum way either.

But however that may be, the issue of what kind of currency we should have can be raised only when we set up the banking system properly. At present, we are putting the cart before the horse.

**A. Kalnynsh.** Allow me to say a few words about the currency. The conception we have developed of regional cost accounting states: "It falls within the competence of a cost-accounting republic to organize banking and the circulation of money, including adoption of its own currency and definition of exchange procedure and the exchange rate against other currencies, including the ruble as the common currency of the USSR." It does not say that we will immediately have our own currency. That is, at present in the republic it is a question of intense development of several different alternatives for economic activity: one, assuming the present currency, two, assuming adoption of the convertible ruble within the framework of CEMA, three, assuming a regional currency, four, assuming a currency for each republic separately. I think that all of this needs to be weighed, but there is nothing to be afraid of here.

**Ya. Liyepinsh.** We have already spoken a great deal about the role of the banking system, and this much is clear: solving the problem of economic independence is impossible without solving the problem of the banks. And we can solve the problem of the currency only on an international basis, since money is international in nature. Nevertheless, I think that in spite of all this we need to strike out on a revolutionary road, since it is determined not only by republic interests, but also by all-union interests of the state. Let us begin, but the entire country will stand to gain from the effort.

**S. Dimans.** Back at the very outset of the discussion, ideas were expressed to the effect that some sort of forms transitional to republic cost accounting are needed. At present, it is difficult to work out anything essential in theory, on the run as it were, but it seems that we must begin by determining what we can realistically do of what might be conceived as republic cost accounting. We need to work out clearly the various schemes for the republic's economic behavior. For instance, at this point we can already perform certain structural tasks, orient capital investments from the republic budget quite straightforwardly to those projects which best correspond to our capabilities, to fully supplying the market, and to comprehensive use of resources. We can stimulate external investors investing money in the Latvian economy or, on the other hand, prohibit them from doing so. We can designate those enterprises which are doing business on our territory, and we can set limits on selling outside the republic commodities that have been produced within it. We can promote everything that comprises self-development of the economy in the republic—the cooperative sector, self-employment, leasing relations, and the rest.

These are just some quite realistic things concerning which we need to work out clear patterns of economic behavior. It seems that this ought to be our first task in working out the conception of republic cost accounting.

[Editor's note] As we see, the discussion was lively, meaningful, and assuredly fruitful for all its participants, although they did not arrive at a unanimous opinion on a number of issues. There were, of course, points at which the views came together, but why did they not make it possible to determine the "common denominator" of opinions on the problems which are most urgent today for Latvia?

Surely, everyone agrees that the time has come for changes in the economic life of the republic, and they also agree with the idea of improving the regional

economic mechanism, of giving it greater self-sufficiency, "independence" from the center. The differences begin when the discussion turns to the ways and methods of that improvement, to the specific model of regional cost accounting. What conclusion can be drawn from this? Evidently, the conclusion that the goal today is clear, but the means proposed for achieving it are still in need of revision, of more thorough work so as to take into account the realities that have taken shape in the country's national economic complex, of which the republic's economy is a part.

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## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Academician on Structural Improvements in Agroindustrial Complex

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[Article by V. Miloserdov, corresponding member of the Academy of Agricultural Sciences imeni V.I. Lenin [VASKhNIL]: "Investment Policy and Structural Changes in the Agroindustrial Complex"]

[Text] Forming the optimum structure of the agroindustrial complex [APK] is an important task of the investment policy. The priority directions of capital investments are rural social development; scientific and technical progress; and processing and storage of agricultural products. Modernization and technical re-equipment of enterprises of the APK is a chief factor of production intensification. The goal of improving planning and management of capital construction is to increase the yield of resources and quality of products.

Capital investments, fulfilling the function of renewing and increasing fixed assets, are a key link of expanded reproduction and a main instrument of forming proportions and improving the APK structure. A correctly chosen investment policy, scientifically based planning and management of capital construction determine to a considerable degree the efficient use of resources and the increase of their yield.

In 1988, capital investments into development of the APK, including sectors providing agriculture with means of production, exceeded 65 billion rubles and increased by 23 percent compared with 1980. The rapid growth of investments in the APK helped to turn this sphere into one of the most capital-intensive sectors of the economy. The huge investments into development of the APK created the necessary conditions for forming its optimum production structure and increasing on this basis the efficiency of public production. However, this did not occur.

In 1988, 51 billion rubles or 79 percent of the total volume of capital investments in the APK were directed at the development of agriculture; 5.2 billion or 8 percent went to the processing sectors; and 3.6 billion or 6 percent went to sectors providing agriculture with means of production (for a comparison: in Hungary, the ratio of capital investments in agriculture and processing sectors is 1.6:1). This is one of the reasons that the rate of growth food production lags substantially behind the rate of increase of capital investments and material resources being directed to development of agriculture and other sectors of the APK. Thus, between 1970 and 1987, fixed production assets increased 2.1-fold, but the gross output of agriculture increased by only 25 percent.

The increase in material costs and the slow renovation of fixed production assets resulted in the percentage of net output of the APK being reduced from 46.5 to 35.4 percent in the total volume of gross output. A large amount of obsolete, unproductive labor means of labor has accumulated.

In the 10th Five-Year Plan, each percentage of increase in net output of the APK corresponded to an increase in fixed production assets of 6.5 billion rubles, and 9.3 billion rubles in 2 years of the 12th Five-Year Plan, that is, the increase in unit of food required 46 percent more fixed production assets.

One of the reasons for the decreased return on investments in the agroindustrial complex was the unsound investment policy in the past. In the 1970's and early 1980's, the extensive factors of production growth virtually exhausted themselves. Despite this, the structural policy continued to develop under its own momentum and did not correspond to the new conditions and possibilities. In the development of agriculture and other sectors of the APK, the spending path was predominant, increasingly oriented on growth of material and technical resources and extrapolation of the established proportions in capital investments and past trends in implementing the technical policy.

We lacked comprehensiveness and goal orientation in utilization of capital investments. The efficiency of their utilization in certain sectors was not analyzed, and that is why they often were not directed to where they could give the greatest return. Often, huge resources were invested, for example, in land development and construction of large livestock breeding complexes and new machine building plants, while little feed was procured, soil was poorly limed, and there was a critical shortage of spare parts.

The processing sectors of industry and the base for storage and shipment of products were ignored for decades. The "residual principle" was applied in the development of these spheres of the economy. Insignificant resources were directed here, although it is here that they give the greatest increase in end output and are recovered more quickly. At the same time, billions of rubles are being invested in land development, but they are being utilized inefficiently. Millions of hectares of improved land have become saline, are going out of rotation, and being written off. Between 1971 and 1987, 25.5 million hectares of irrigated and drained land were put into operation, but the land area being used increased only by 14.9 million hectares; that is, 9.5 million hectares or more than 37 percent of this land was either not being used or was written off.

Large disproportions have formed between the active and passive assets, between fixed and working capital, between the increase in the total number of livestock and

the feed base, and between power and working machinery. The rate of increase of labor productivity significantly lags behind the rate of increase of the capital-labor ratio and wages. For example, due to the fact that a considerable portion of the capital investments was directed at building expensive livestock facilities and proper attention was not given to increasing feed production, the fixed production assets of livestock raising increased by a factor of 1.5 per head between 1980 and 1987, but the level of feeding increased only by 7.4 percent. The per-head gross output yield of livestock raising increased by 17 percent; that is, the growth rate of assets outstripped the rate of increase of output by 3:1. Therefore, labor productivity is increasing slowly, and the capital-output ratio and production costs of livestock raising are increasing. Between 1975 and 1987, the capital-labor ratio of workers in livestock raising tripled, full mechanization increased from 20 to 64 percent on cattle farms and from 44 to 73 percent on hog farms, but the load per person employed in the sector increased only by 9.4 percent. This confirms that the main thing today in increasing the efficiency of resource potential of the APK is high quality and complexity of machinery and equipment, and concern for rational utilization of resources. But the investment and structural policy in the agroindustrial complex must be directed at this.

For many years the ministries, departments, and union republics have been making considerable efforts to get the greatest amount of capital investments and material resources from the state by any means. Thus, for two decades kolkhozes and sovkhoses of the Estonian SSR received 2.8 times more capital investments per 100 hectares of farm land than the national average. The situation is also roughly the same in the other Baltic republics. As a result, the share of plowed land being improved here is 60-70 percent, while it is 6.6 percent in Smolensk Oblast, 3.5 percent in Ryazan Oblast, and 2.6 percent in Orel Oblast. Such a distribution of state resources has not helped to form an optimum structure of the country's agroindustrial complex and its individual sectors and regions, and it has adversely affected the rates of economic growth and functioning of the entire complex.

Departmental isolation, different orientation of interests, and the lack of in-depth analysis of alternatives for development of the APK have not made it possible to judiciously distribute capital investments and material resources among its individual links and regions in such a way as to get the greatest return from them. Due to violation of the territorial principle of planning, the sectorial structure of the republic and oblast APK, as a rule, was formed arbitrarily, and the place of one or another enterprise and organization in food production was established without a clear orientation on achieving end results. Each sector of the agroindustrial complex, without coordinating with cooperating enterprises, developed on site their own material and technical base and production and social infrastructure. Thus, during

the last two decades, the disproportions in development of the agroindustrial complex intensified, and the balance of economic potentials of individual links of the APK worsened.

One indicator of the degree of development of the country's agroindustrial complex is the **optimality of its structure**, ensuring high functioning efficiency of the APK, the **greatest output of end product from a unit of original raw materials and resources**, and a **minimum loss of product** in all the stages it goes through: from the field and farm to the consumer. In a number of countries of the world, the capacities of processing sectors of industry are built up considerably more rapidly than agriculture. The reverse is true for us: the rate of growth of capital investments in agriculture were approximately triple that of food sectors of industry over the last three five-year plans. As a result, investments in agriculture increased by 39 percent, but only 17 percent in the food industry, 13 percent in the meat and dairy industry, and 7 percent in milling and cereal industry. Hence the imbalance of the APK sectors and subsectors. With the increase of production of agricultural products, the commissioning of capacities of the food sectors decreased sharply. Thus, state purchases of livestock and poultry increased by 10 percent in the 11th Five-Year Plan compared with the 9th Five-Year Plan, but commissioning of capacities for processing meat was reduced by a factor of 2.3. Purchases of milk increased by 19.5 percent with a 1.7-fold decrease in commissioning of capacities for producing whole milk products and a 1.6-fold decrease in capacities for producing cheese.

The widening of the gap between the capabilities of agriculture for product output and the capacities for its processing, storage, and shipment has resulted in almost one-third of the agricultural product raised not reaching the consumer, being lost, spoiling, and being feed to livestock.

For example, the country produces 104 million tons of milk; most of it goes for state purchases for processing into butter, sour cream, and cream. After extraction of the butterfat during butter production, skimmed milk and buttermilk remain which contain protein, lactose, mineral substances, trace elements, enzymes, and vitamins. Due to the inefficient structure of milk processing, about half of all milk protein is fed to livestock or spoils. Expanding enterprises for processing secondary resources and producing low-fat dairy products could substantially supplement our food resources. The same is also occurring with meat. Due to the shortage of refrigeration capacities and capacities for processing meat, hundreds of thousands of tons of meat products are lost, and their quality is reduced. A large amount of poor-quality produce, in particular non-acceptable and sub-standard potatoes, cabbage, onions, melons, tomatoes, and grapes, is being sent to the market.

To accelerate scientific and technical progress, it is important that the **asset-producing sectors develop at a leading pace**. Unfortunately, this cannot be said of agricultural machine building. For a long time the technical



level of this sector has lagged significantly behind the demands of the present day, and kolkhozes and sovkhoses are receiving not efficient machinery systems but basically incomplete and material-intensive equipment. Its quality and reliability have been slow to improve, and the demand for spare parts has not decreased.

Despite the enormous capacities of the repair base, a large amount of agricultural equipment is inoperative. Annually, approximately 300,000 tractors, including about 25,000 K-700 tractors, are not used in operation. Flaws in the APK structural policy have been holding back the renovation of assets, resulting in a worsening of their age and reproduction structure.

The inventory and assessment of the technical condition of the fleet of machinery and equipment conducted by the USSR Goskomstat (State Committee for Statistics) showed that 39 percent of it in operation at enterprises of the processing sectors of APK industry is 11 or more years old, including 10 percent that is over 20 years old; 63 percent of the machinery and equipment is more than 50 percent used up. The highest degree of wear of industrial assets at enterprises of the sugar industry—50 percent; 48 percent in the fat-and-oil industry; 45 percent in the fish industry; and 43 percent in the confectionery industry.

The rapid buildup of assets results in ever-increasing amounts of investments being required for their simple reproduction. Thus, this required 7.6 billion rubles of capital investments (23.4 percent of the their total) in 1980 and 13 billion rubles in 1987 (34 percent).

**Outdated assets being operated require increasing maintenance costs** and partial renovation, reduce the use of new equipment, and slow down the pace of technical progress. The low level of technical equipment of processing enterprises and the large percentage of obsolete means of labor adversely affect the utilization of production capacities. Part of the means of labor continues to be included as part of the active means, although it is not really functioning. This explains why when the capital-labor ratio of labor increases, its productivity is slow to increase; as a result, an increasing shortage of manpower is felt, and the number of workers employed in processing sectors of industry increases. Between 1970 and 1987, the number increased by 1.8 million people. With the average wage per worker in this sphere of 2,174 rubles, the wage fund for this portion of workers is 3.9 billion rubles. It would be more advisable to direct these funds toward technical re-equipment of the processing sectors of industry and on this basis improve labor productivity and reduce the number of employees.

Between 1971 and 1988, capital investments for developing the agroindustrial complex were 850 billion rubles, and fixed production assets increased by 350 billion rubles; that is, only 41 percent of the total volume of

investments went to increasing assets. A large portion of the money was used to compensate for assets no longer in service and to expand the nonproduction sphere of the APK.

Under conditions of increasing fixed production assets, the amortization allowances for capital repair increase at a rapid rate. In 1986, they were 31.7 billion rubles. During the 12th Five-Year Plan, their total exceeded 160 billion rubles. In 1987, 1 million workers with a wage fund of 2.3 billion rubles (including bonuses) were employed in repair of tractors and agricultural machinery, and the cost of fixed production assets used here was 12 billion rubles, which is 90.9, 73.3 and 68.3 percent, respectively, of the resources going to tractor building, agricultural machine building, and production of equipment, packaging materials, and implements.

For radical restructuring of the agroindustrial complex, eliminating the established disproportions, and increasing the functioning efficiency of the APK, the 27th CPSU Congress and subsequent Central Committee plenums emphasized the need to change the investment policy and the established trends in development of the APK.

With special acuteness the task has been set to **increase the technical level of assets, introduce progressive technologies**, and on this basis reduce the rate of growth of the output-capital ratio of products and increase labor productivity.

In the 12th Five-Year Plan, 290.6 billion rubles of capital investments are being allocated for development of the APK, which is 14 percent more than in the last 5-year plan. Major changes are envisioned in the structure of investments, laying the foundation to make radical reforms in the APK, accelerate scientific and technical progress, increase the rate of economic growth, and enhance the people's standard of living.

**Capital investments are being concentrated on the main, priority projects** of the agroindustrial complex, taking into account their recovery, the full load of existing capacities, and the increase in production by means of intensive factors. Investments are being directed primarily at improving the most **important proportions and intersectorial structural changes**.

In order to implement the program of renovation and modernization of sectors of the APK and increase the technical level and labor productivity, in the current 5-year plan, compared to the last one, it is planned to increase investments in tractor building, agricultural machine building, and also food machine building 2.4-fold; in the microbiological industry 2.9-fold; and in the industry for production of mineral fertilizers and plant protectants more than 1.7-fold.

The percentage of investments going to **technical re-equipment of existing enterprises** is increasing substantially (1.7-fold), and their proportion in the total volume of production capital investments will increase to 37 percent compared to 23.2 percent.

The concentration of resources on **projects under construction** will reduce the volume of incomplete construction. Shifting the center of gravity to technical re-equipment and modernization of existing production facilities will make it possible with fewer costs to increase and put into operation quickly production capacities, accelerate the renovation of the production apparatus, reduce the demand for manpower, and make labor productivity increase at an outstripping pace compared to the increase in material costs.

The measures taken had a favorable effect on the expansion and technical re-equipment of enterprises of the machine building sectors and on the qualitative transformation of their material and technical base. The rate of removing obsolete basic equipment, machinery, and other types of active assets has increased. For example, during the years of the 11th Five-Year Plan, the average coefficient of their removal in the food industry was 3.2 percent, but in 1986-1987 was 3.6 percent. However, it should be emphasized that this rate of replacing worn-out and obsolete hardware is clearly insufficient. If it is not accelerated considerably, complete replacement of existing production assets will take place over the course of approximately 30 years.

Changes in the investment policy have resulted in an increase in the proportion of capital investments going toward modernization and technical re-equipment. Thus, in the processing sectors of industry it increased to 72.9 percent compared to the average of 58.8 percent during the 11th Five-Year Plan. This includes an increase to 60.8 percent in the meat and dairy industry compared to 55.7 percent, an increase to 51.1 percent in the procurement system compared to 30.4 percent, and so forth.

Based on the urgent requirements of the APK sectors for new equipment and intensity of renewing the active portion of fixed assets along with a considerable increase in machine building, main attention is being given to the **qualitative** aspect of growth, to speeding up the removal of operating assets, and to renewal of the means of labor. We should bear in mind that a mechanical buildup of assets and creation of new jobs will not provide an additional effect and will lead to a further increase in the capital-labor ratio and production costs of products. If, in addition to new equipment, machine building continues to produce old models of machinery and equipment, the problem of technical re-equipment of the APK sectors will drag on for years. We must not simply replace worn-out assets, but renew them on a qualitatively new technical basis ensuring the highest labor productivity.

Modernization of machine building will make it possible to re-equip all spheres of the economy, substantially raise the quality and reliability of assets, introduce progressive technologies, and improve the organization of production, labor, and management. Special emphasis is being placed on **reducing the length of the investment cycle**. Beginning in 1987, capital investments and contract work for construction of projects are being established in complete correspondence with **standard deadlines**. Only by doing this is it possible to hold down the rate of growth of the output-capital ratio and the capital-labor ratio and increase labor productivity many times over.

Overseas experience indicates that the country's main potential is not in the number of enterprises, machine tools, machines, and livestock and not in the volume of products being produced, but is in the **scientific and technical level**, the quality of designs of machines, the skill of the work force, and the organization of production and management. Today, our agriculture lags behind the countries of the West in labor productivity considerably more than in its capital-labor ratio. The reason for this lies in the qualitative composition of productive forces and the organization of production, labor, and management. In other words, agriculture lags behind the Western countries not so much in expenditures for resources as in the efficiency of their utilization, which is why it is not factors of increasing material production resources and not the further quantitative accumulation of assets that are first and foremost in economic development, but factors affecting the scientific and technical level of production and scientific organization of its management and the ability to use the resources correctly and to increase the return from them.

Until recently, increasing quantitative indicators served as the characteristic of economic development, and preference was given to building one new enterprise instead of renovating or modernizing two old ones. Now this concept is unacceptable. It contradicts proportional development of the economy.

In conditions of intensification, **renovation and technical re-equipment** become primary factors of ensuring expanded reproduction of fixed production assets. That is why it is necessary to shift to direct planning of equipment replacement indicators not only at enterprises being expanded and renovated, but also at those in operation. The structure of capital investments and fixed assets today is becoming a direct object of planning. Amortization deductions, earlier used primarily for the purpose of simple reproduction, and also funds going toward technical re-equipment of existing enterprises must become a factor of expanded reproduction and be functionally combined with one-time capital investments. It is important that technical modernization be accomplished according to a unified plan with a radical improvement of capital construction. The food and machine building sectors will be the highest priority projects of the agroindustrial complex in the next few

years. Investments in them must increase at more a rapid pace in order to form the optimum structure. This will make it possible to reduce product losses substantially and increase its quality.

It was stated at the 27th Party Congress: "An immediate source for replenishing the food fund is reducing the product losses of fields and farms during harvest, shipment, storage, and processing. We have a considerable reserve here; we could have up to a 20 percent surplus of consumer resources, and even up to 30 percent for certain types of products. And the outlays for eliminating the losses are one-third to one-half the outlays for additional production of the same amount of products."<sup>1</sup> The degree of development and the functioning efficiency of the agroindustrial complex depend on the additional benefits obtained by ensuring a balance of all its sectors.

The 12th Five-Year Plan calls for major measures for re-equipment of the material and technical base of the food sectors and widespread introduction of highly productive process equipment and mechanized and automated lines to ensure comprehensive processing of products and raw materials and bring all the products that are grown to the consumer. Capital investments in the processing sectors of industry in the 12th Five-Year Plan are to increase by 50 percent in comparison with the 11th Five-Year Plan, including a 60 percent increase in the food industry, a 70 percent increase in the meat and dairy industry, and a 40 percent increase in the fish industry.

This should increase the amount of the products grown at kolkhozes and sovkhoses being delivered to the processing industry, increase the output of end product from a unit of resources, increase preservation, and sharply reduce losses. Commodity product output per ton of dressed weight of livestock will increase from 1,581 rubles in 1985 to 1,734 in 1990, and for milk it will increase from 237 to 258 rubles.

Structural changes are also planned within individual sectors. Thus, during the 5-year period, capital investments are to increase by 23 percent for a more stable development of plant growing and for strengthening the feed base; their proportion in overall investments for development of agriculture will be 56 percent, compared to 47 percent in the 10th Five-Year Plan and 50 percent in the 11th Five-Year Plan.

A characteristic feature of the investment policy is **creating a developed production and social infrastructure and ensuring normal housing conditions and cultural and living conditions in the rural area.** The current 5-year plan calls for social restructuring of the countryside. Thus, it is proposed to invest approximately 80 billion rubles, for all financing sources of the APK, in construction of nonproduction projects—42 percent more than between 1981 and 1985. The percentage of these investments in the overall investments will increase from 22.3

to 27.7 percent. Using state and kolkhoz resources, commissioning of residential houses will increase by 12 percent, preschool institutions will increase by 58 percent, and clubs and houses of culture will double. The results of the work of APK sectors during the first 3 years of the 5-year plan have shown that the correlation of capital investments in agriculture and other sectors has improved somewhat compared with the last 5-year plan; removal of fixed assets in food sectors has increased; and the coefficient of their renewal has increased. However, the lack of a sufficiently developed construction base has resulted in 1.5 billion rubles of allotted resources not being appropriated.

The country's agroindustrial complex, the councils of ministers of union republics, and local bodies must take decisive measures to correct the situation with appropriation of capital investments, and thoroughly analyze and monitor these processes.

The structure of capital investments cannot remain unchanged at the different stages of economic development. At different times, the same investments being utilized in certain links of the APK influence the end results differently. Therefore, it is necessary to review the different variants of developing the agroindustrial complex and choose the most acceptable of them. When the agroindustrial complex is being planned, financed, and managed as a single integral system, but capital investments for its development come down to individual regions as a single line, the conceptual nature and goal-oriented approach to planning capital investments become one of the distinctive features of structural reorganization of the APK.

The investment policy must consist not only in changing the structure of capital investments and concentrating resources in the main directions, but also in **radically changing the methods and principles of planning and management.**

When drawing up the 5-year plans, it is necessary to proceed not from pre-established proportions of capital investments in one or another sector or sphere of the economy, one or another region, but from an in-depth analysis of the alternatives of their utilization. When planning agroindustrial production, there may be a large number of concepts for achieving the end goal that differ in structure and volumes of resources. In each case, we should choose the most efficient path of achieving the end results, the acceptable concept of developing the economy, and the optimum variant of utilizing resources so as to ensure the greatest return from them.

During the 1970's, for example, the total number of livestock and poultry increased by 22.2 million head or 17 percent, and the gross output of livestock breeding increased by 15.3 billion rubles or 17.4 percent. Consequently, the production output of livestock breeding increased by means of extensive factors.

Between 1981 and 1987, the gross output of livestock breeding increased by 19.2 billion rubles or 18.6 percent, including by 13.3 percent due to an increase in livestock productivity and 4.7 percent by increasing the herd size.

For livestock breeding to develop in the current decade the same as it did in the 1970's, it would be necessary to increase the total number of livestock and poultry by an additional 21.4 million head to maintain the product output at the achieved level. It would require 20 billion rubles of capital investments for construction of barns for this livestock and more than 21 million tons of maintenance rations of feed. The number of servicing personnel on the farms would increase by at least 700,000. A thorough analysis of possible concepts of APK development makes it possible to determine the most effective variants and to choose acceptable strategies.

In order to ensure optimum development of the APK of rayons and oblasts, local bodies must change the existing **system of planning enterprises that are included in the APK**. Today they are built without sufficient coordination between cooperating enterprises. For example, designers of processing enterprises are guided by their own criteria without linking them with product delivery costs. The lack of a systematic approach in planning enterprises that are a part of the agroindustrial complex leads to inefficient expenditure of resources; therefore, it is necessary for each rayon to have an **organizational and economic project** which is a long-term concept of forming the APK.

The systematic approach to planning agroindustrial production must be implemented on the basis of standards of resource utilization per unit of end product. In doing this, **planning of existing production and new construction should be accomplished as an entity**.

With the shift to economic methods of economic operation, cost-accounting [khozraschet], and self-financing, the role of the territorial aspect of planning increases. Local bodies are given great rights in relation to developing plans for APK development, structural reorganization of agroindustrial production, and forming investment policy. Locally, they know better than centrally the shortcomings and reserves for further developing their agroindustrial complexes. Passing down control figures to them for APK development as a single line creates conditions for purposeful utilization of resources and makes it possible to raise the scientific validity of the plans and the possibility of fulfilling them.

In the past, republic and oblast bodies were not concerned with thrifty expenditure of allotted resources for construction of one or another project. They strove not to economize but to spend more than the initially allocated resources. The problem was that the resources saved in construction of a city meat-packing plant, for example, did not remain in the oblast but were transferred by the central department to other regions and projects that did not stay within their limits.

Now the situation has changed. They dispose of the resources locally as they see fit and have the right to use them for construction of other APK projects in a given region. Having greater economic independence and initiative in planning and organizing capital construction and utilizing material and human resources, local economic bodies are forced to find reserves for saving resources when building some or other projects, analyze in detail and compare expenses and results, and achieve high end indicators from a unit of raw materials and resources.

It should be noted that certain negative trends have intensified lately. Local bodies are not concerned the construction of certain projects. Introducing regional cost-accounting and self-financing will make it possible to eliminate shortcomings that result in giving undue priority to narrow local interests and a free-ride mentality.

An important characteristic of the current investment policy is the building and commissioning of projects **within fixed time periods**, reducing considerably the number of projects under construction at one time, reducing the amount of construction under way and unfinished construction, and orienting the capital construction plan on end results. Allocation of capital investments is being made more strictly dependent on their **recovery**, the full load of capacities, and increasing production by means of intensive factors. New construction projects can be started only when the capabilities of an existing production facility and its technical re-equipment have been fully exhausted. Only this ensures active renewal of fixed assets. The ministries and departments, union republics, and oblasts need to determine specific ways and methods of enhancing the efficiency of the entire investment asset-forming complex, the main directions and priorities, and shift more boldly to new methods of economic management.

#### Footnote

1. "Materialy XXVII syezda Kommunisticheskoy partii Sovetskogo Soyuz" [Materials of the 27th CPSU Congress], Moscow, Politizdat, 1986, p 31.

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## LAND RECLAMATION, WATER MANAGEMENT

### Environmental Concerns About Volga Canal Projects

#### Reasons for Concern

18240081 Moscow STROITELNAYA GAZETA in  
Russian 27 Jan 89 p 1

[Article by A. Mironov: "Experts Have Determined..."]

[Text] The basic materials on this canal were prepared by USSR Minvodkhoz [Ministry of Land Reclamation and Water Resources] in 1984. It is 352 kilometers long. Capital expenditures for the entire challenge is almost 3 billion rubles.

#### The Volga-Chogray Canal—Stop Work!

The large-scale plan for the Volga-Chogray Canal (as well as the Volga-Don II Canal) has given rise, as we know, to numerous disputes among scientists and specialists, and the press and public have joined in the discussion. There is no doubt that a careful objective expert opinion of the project is needed. This is why USSR Gosplan and USSR Gosstroy formed special commissions. Recently a joint meeting occurred between the State Commission of Experts of USSR Gosplan and of the USSR Gosstroy Gosekspertiza [State Commission of Experts], which examined work results.

Experts feel that the primary question is to determine whether a "painless" additional diversion of water from the Volga is possible. In their opinion, the plan does not provide the foundation for the economic effectiveness of building the Volga-Chogray Canal and its ecological safety. This is why they have recommended to stop building now and in the future to examine the question of its expediency.

Evidently one more step is needed: the recommendations of experts—of an independent scientific organization—should be taken into account without delay in the practical work of USSR Gosplan and other central departments as well as of USSR Minvodkhoz. In other words we must stop financing work on the canal and the allocation of material and labor resources. It is expedient to direct freed resources, technology, workers and specialists into more important projects.

#### The Volga-Don II Canal: To Be or Not To Be?

Today at a joint meeting the State Commission of Experts of USSR Gosplan and Gosekspertiza of USSR Gosstroy have examined the results of the ecological appraisal of another large-scale project—the Volga-Don II Canal. Its plan was developed by USSR Minvodkhoz in 1984 with the goal of diverting water from the Volga to

irrigate new agricultural lands with a total area of 1 million hectares in the Don-Kuban interfluvial area. It is planned to remove 5.5 cubic kilometers of water from the Volga annually.

Work to equip the canal is already in progress, about 111 million rubles of the estimated 488 million-ruble cost have already been spent. The technical-economic basis for the canal was confirmed on 9 March 1981 by a resolution of the State Commission of Experts of USSR Gosplan. This document, let us emphasize, states unequivocally that the diversion of water from the Volga to the Don can be implemented only by means of the refilling of the Volga from the northern rivers. Moreover, the Volga-Don II can be put into operation only after the completion of the project (today sadly known) of reversing the northern rivers.

The position of the parties is such. USSR Minvodkhoz workers are convinced that in the region of the country's dry southeast the notable increase in irrigated areas will provide the opportunity to create a guaranteed feed base for livestock raising and to produce a considerable amount of additional vegetables and potatoes. The canal is all the more necessary, feel the land reclamation workers, because in the given region droughts have become more frequent.

USSR Gosstroy's Gosekspertiza is convinced that the plan does not have a clear foundation proving natural-economic need to equip the canal, proving economic expediency or ecological safety. The building of the canal itself is being implemented in contradiction to the resolutions of the CPSU Central Committee and USSR Sovmin [Council of Ministers], "On Curtailing Work to Divert a Portion of the Current of Northern and Siberian Rivers" and "On Priority Measures to Improve the Use of Water Resources in the Country."

At a joint meeting opponents of the Volga-Don II pointed out that the complex of questions related to the deterioration of the ecological situation in the Volga basin, the Don lower course and in the extensive territory of several oblasts and krays has not been worked out. Under conditions of an intensive water management balance and the unsatisfactory sanitary condition of the Volga-Caspian basin the building of a canal can result in difficult ecological consequences. It was pointed out that it is essential to make more precise the scale of development of irrigation in the Don-Kuban interfluvial area, the distribution and pace of assimilation of these lands. In the opinion of many experts the diversion of a part of the Volga current into the Don cannot be recognized as well-founded until the confirmation by USSR Gosplan of schemes for the complex use and protection of water resources in the Volga and Don basins for the period after 1990 which must be developed with a consideration of the aforementioned resolution of the CPSU Central Committee and USSR Sovmin.



The canal should be viewed within the general system of development of the country's national economy, emphasized academician T. Khachaturov. After all, the completion of the project requires 5 million rubles (this figure was mentioned at the meeting), or according to other assessments—much more. We must economically assess the end result.

However, at the meeting it became clear that the problem for discussion was developed incompletely because the subcommission of experts for incomprehensive reasons was assigned only the ecological expert assessment of the project and also only in the zone directly adjacent to the canal right-of-way. For this reason many questions by those who were at the meeting remained unanswered. There was nothing left to do but draw the conclusion that we must return to the problem of the Volga-Don II at the next joint meeting of the commission of experts.

At the same time the prevailing majority of speakers who were members of the State Commission of Experts (GEK) of USSR Gosplan decisively supported making a decision today about halting construction, feeling that there is enough basis for this. In the final analysis a vote was not taken; this opinion will only be transmitted to Yu. Maslyukov, USSR Gosplan chairman, in written form.

In conclusion I would like to focus attention on the following. V. Zarubin, Deputy Minister of Land Reclamation and Water Resources, who was at the meeting, emphasized in his speech that people say that 111 million rubles have already been spent on the construction, so how can we let it go? Academician B. Laskorin wittily parried that this signifies the position of the person who commits suicide—the man who has spent money on a pistol and therefore must without fail put a bullet in his head. He evidently had in mind that for the Volga-Don II billions will be required, the return on which will begin to enter state coffers only in 10 years.

Wouldn't it be more expedient to direct the resources that Minvudkhos is planning to spend on the canal to erect storehouses for vegetables, potatoes and fruit and for their processing? This question was posed at the meeting. After all, a significant, very significant portion of these food products does not reach the consumer; it rots. Why increase productivity if we cannot achieve the preservation of the harvest? Really, why?

**Rally Protests Building of Volga-Chogray Canal**  
18240081 Moscow SELSKAYA ZHIZN in Russian 12  
Feb 89 p 3

[Article by P. Kondratovich: "Canal—No! Land, Ecology, Man"]

[Text] Last Saturday in Moscow's Park imeni Gorkiy on the initiative of the public organization, the "Socio-Economic Union," a rally was held to protest the building of the Volga-Chogray Canal.

"There is no Russia Without the Volga!" "The Volga-Chogray is a threat to everything living!" Dozens of scathing placards in the hands of meeting participants could not leave indifferent even the accidental park visitors. What is this? An excess of emotion or a true voice of alarm?

Well-known Soviet scientists and public activists who spoke in the auditorium before thousands convincingly confirmed that there is reason for concern. And not just a few. Here for example is what A. V. Yablokov, corresponding member of the USSR Academy of Sciences, stated in his speech:

"The canal will only exacerbate the ecological and social problems of the Kalmyk ASSR, will result in the mass salination of land and in the laying waste of gigantic areas. The cost of the project has reached almost 4 billion rubles. But after all the Kalmyk ASSR can be transformed for much less money. Similar projects exist but USSR Minvudkhos and other departments remain deaf to the conclusion of scientists."

"The canal is not justified either economically or ecologically," is the opinion of academician A. L. Yanshin. "It is essential to immediately cease the financing of its construction, otherwise we may lose our beautiful Volga forever!"

Even more categorical were the words of M. Ya. Lemeshev, United Nations expert on environmental conservation:

"We should not think that canals such as the Volga-Chogray, Volga-Don II and similar unthought-out projects are only our domestic affair. We are responsible to all of humanity!"

Orators replace each other. All the speeches reflect alarm and pain for the fate of their native land. Unfortunately, the meeting was not attended by representatives of USSR Minvudkhos although, in the words of activists of the "Socio-Ecological Union," an invitation was sent to the ministry.

But taking the microphone on his own initiative was a worker of the department of natural-reclamation research of VNIIGIM [All-Union Scientific Research Institute of Hydraulic Engineering and Reclamation imeni A. N. Kostyakov], Yu. S. Lyalin. Alas, he was not allowed to open his mouth. And that is too bad! After all Yuriy Serafimovich brings forth the idea of creating a public committee on reclamation problems in which both parties could state and defend their views and bring developed joint decisions to the attention of the broad public.

"So what is interfering with this?"

"I am expressing only my opinion," says Lyalin sadly. "And I cannot answer for all of Minvodkhoz. I can only say one thing, that my friends at work and I, in planning hydraulic engineering structures, are involved in a matter that is necessary to the country. And it would not hurt to listen to our opinion..."

### Conclusion

18240081 Moscow *LESNAYA PROMYSHLENNOST* in Russian 4 Feb 89 p 1

[Article: "End to the Canal?"]

[Text] "Stop Work to Build the Volga-Chogray Canal"—this was the conclusion drawn by Gosekspertiza of USSR Gosplan and by the presidium of the USSR Academy of Sciences. The plan for the canal's construction has been recognized as being without foundation and ecologically dangerous. This was discussed in *IZVESTIYA* on 2 February of this year.

However, official instructions about ceasing the building of the canal by Minvodkhoz have not as of yet followed on the part of the government chain, just as it is not clear whether this kind of building is ineffective in general. Minvodkhoz for its part does not feel that if a prohibition is put on the canal it will be permanent.

### Observers Fear Volga-Chogray Canal Will Harm Environment

#### Damage to Environment

18240048 Moscow *SELSKAYA ZHIZN* in Russian 5 Feb 89 p 2

[Article by V. Vinogradov, professor, director of the aerospace research methods group of the Soviet "Man and the Biosphere" Committee: "For the Good? No, to the Detriment! That is the Opinion of a Scientist Concerning the Volga-Chogray Canal. Another Variant is Proposed"]

[Text] If the Volga-Chogray Canal with its large 350-kilometer river crosses the northern and central parts of the Kalmyk ASSR, what will it bring with it?

The canal's construction zone itself, its reservoirs, collectors, normative right of way zones and spillway lakes will swallow up tens of thousands of hectares of pastures. But this is just a one-time loss during building. What will happen in 7-10 years? The answer is provided by the example of the Sarpinskaya, Chernozemelskaya and Kaspiyskaya irrigation systems previously developed in the Kalmyk ASSR by RSFSR Minvodkhoz [Ministry of Land Reclamation and Water Resources]. They are expecting the rise of ground waters, their mineralization, soil salination and in the future—the development of deserts on large land masses...

I fully support the conclusion of those scientists who on the basis of a thorough analysis determined that the building of the canal is economically ineffective, technically unfounded, ecologically harmful and socially damaging.

As an alternative to this plan the workers of the Institute of Evolutionary Morphology and Ecology of Animals of the USSR Academy of Sciences, the Feed Institute of USSR Gosagroprom [State Agroindustrial Committee], VASKhNIL's [All-Union Academy of Agricultural Sciences imeni V. I. Lenin] Institute of Agricultural and Forest Reclamation and the Yuzhgiprozem Institute of RSFSR Gosagroprom have proposed the concept of the agricultural ameliorative assimilation of the Kalmyk ASSR. At its basis is a general scheme for the struggle against the development of deserts on the Chernyye lands and the Kizlyarskiye pastures developed in 1986 and still not financed by RSFSR Gosagroprom.

As long-term research has shown, the optimal number of sheep in the Kalmyk ASSR should not exceed 2 million right now. Moreover, with the proper approach, a decrease in the size of the herd does not decrease production output. In 1913, 0.9 million sheep yielded over 25 kilograms of meat each, but in 1985, 3.7 million sheep yielded only 8-10 kilograms each. It is time to understand that not always by far does the increase in the size of the herd result in an increase in total production!

It is time to more decisively reexamine the herd that is unaccounted for and to halt the pasturing of livestock from other republics and krais in the Kalmyk ASSR. Selective aerial photographs and investigations by the republic's committee of people's control convince us of this.

Finally, life demands the introduction of sectional pasture rotation and the fencing in of pastures. Right now pasturing takes place wherever something is growing, arbitrarily. In a desert you will not find the boundaries of pasture lands. Scientifically-based pasture rotation is capable of bringing, at least in the low-lying part of the Kalmyk ASSR, the restoration of pastures within 3-5 years. And these are not just words. In the photos from space of the Sudan and Mali—places where pastures were fenced and where pasture rotation was introduced—lands were reestablished within 2-6 years and yielded more feed than the previous area that had been twice as large. It is true that an attempt has already been made to fence pastures in the Kalmyk ASSR, but these fences have been torn down by offenders and by owners of herds that have not been accounted for.

Of course we need measures for the radical and surface reclamation of pastures and for agricultural amelioration. Such measures are all relatively inexpensive and do not require irrigation; their methodology is well-developed and their ecological and economic effectiveness is high. Of course this is only true if the work is done in a qualified manner.

In the past in the Kalmyk ASSR sufficient amounts of hay were produced from drowned river valleys; some hay was even sold to neighboring regions. Today haylands have been ruined everywhere as a result of hydromelioration, but they can be reestablished with the help of a complex of well-known agrotechnical measures. In addition to natural haylands, for emergency forage reserves feed produced within existing irrigation-flooding systems is adequate, if however so-called "initiative" irrigation, which only results in the wasting of water and secondary soil salination, is not tolerated. Moreover, reserves of existing irrigation systems in the Kalmyk ASSR have not been utilized because their construction has not been completed. Instead of laying a new canal, it is time that RSFSR Minvodkhoz complete its old long-term construction projects and qualitatively improve many others. This is where the attention of the reclamation worker should be focused!

A word about the water supply for pastures. Isn't it time to reestablish the use of the perched water table lens available in almost all of the Kalmyk ASSR? For hundreds of years these lenses provided local livestock with water. In addition, reserves of fresh ground water have now been explored in Yergenya and not far from the border of the Kalmyk ASSR; diversion of this water is technically uncomplicated. Finally, it is essential to lay a group pipeline which will take Volga water in tenfold smaller quantities, and construction will be incomparably less expensive than that for a canal. Let us not forget that water from an open canal is still unsuitable for drinking—it is dirty, salinated and not harmless.

The implementation of the project involving the land improvement struggle against the development of deserts will cost about 700 million rubles—several times less than hydraulic construction. Incidentally, the cost of constructing the Volga-Chogray Canal is snowballing with every new consultation. At the end of the year before last it tentatively cost 1.9 billion, after consultation with the USSR Academy of Sciences and VASKhNIL—2.6 billion rubles, and after the initial consultation with USSR Gosplan the cost has already reached 3.8 billion rubles. The time for repayment of itself is shorter—3-5 years—for the land improvement measures whereas the repayment of the hydraulic construction project, according to the predictions of the planners themselves, is 11 years, and according to the calculations of the feed institute's workers—over 25 years. In 7-10 years extensive secondary salination of the soil will begin and the reconstruction of the hydraulic reclamation system will be required. Again enormous expenditures will be necessary...

The reestablishment of natural plants of the soil will doubtless achieve an improvement in the ecological conditions in the Kalmyk ASSR, will result in anchoring moving sands, in a decrease in salinated soils, in a decrease in sandstorms, in a decrease in the level of salinated ground waters, in a drop in extreme atmospheric temperatures and as a result in an improvement

in man's living conditions. This cannot be forgotten! Kalmyk people are natural livestock farmers; for centuries they have lived in harmony with nature in the Caspian area. The land improvement concept of reestablishing pastures in the Kalmyk ASSR is more effective in all ways than the concept of hydraulic engineering construction. This is why it would be expedient to stop the work to build the Volga-Chogray Canal and to transfer the allocations to the RSFSR Minvodkhoz earmarked for this work to RSFSR Agroprom for the implementation of the alternative project of restoring Kalmyk pastures. Not only is the Volga-Chogray Canal not needed, it is also harmful because it will bring about great losses of natural feed lands, a sharp deterioration in the ecological situation, and the deflection of efforts and means from truly needed and effective plans of Kalmyk agricultural and social development. The canal will bring harm to Stavropol by gradually facilitating the degradation of irrigated chernozems, the loss of their structure and fertility and their salination and solonchaks-formation.

#### Canal-Related Disruptions

18240048b Moscow SELSKAYA ZHIZN in Russian 11  
Feb 89 p 1

[Article by V. Nikolayev, Kalmyk ASSR: "The Canal—Affecting Whose Future?"]

[Text] Society is still heatedly discussing whether the Volga-Chogray Canal should exist but it already stretches a good 50 kilometers through the Kalmyk ASSR. Those who have already seen this waterway not far away from the rayon center of Yashkul, let us say, can probably judge it from the point of view of a return already today without waiting for the distant future.

This is a Martian-like canal judging by the lifelessness around it! Its width including embankments is over 200 meters. Last fall it was already full of water, but I have not heard the song of birds yet, or even the croaking of frogs. I descended along the slope covered by white frost, cupped some water in my hands and brought it to my mouth...It was bitterly salty! I understood that it was not frost that had made the embankment silvery but the salt that had come to the surface. I remembered the words of a well-known song, "The birds don't sing here; the trees don't grow."

I must confess that we conducted the following frivolous "experiment" here. We found a healthy frog somewhere else and set it free in the canal. Live and multiply. Alas, a few minutes later it washed ashore belly up.

Forgive us, frog. I would like to believe that you will be the only sacrifice brought to His Majesty the grandiose project.

And this water is going to be used to water future crops? Isn't it symbolic that the place where the canal begins its trip from the shores of the Volga into the depths of the Kalmyk steppe is called the Solenoye [salty] Water-Meadow?

Creating irrigated plots on solonchak soil means receiving an immediate advantage, but then being left with a broken carriage. The basements of Yashkul houses are already flooded with salty water; a new palace of culture and party raykom are standing in the water. No, no, these are not the side effects of the Volga-Chogray Canal, this has "been achieved" by the relatively small Chernozemelskiy Canal.

...Here it is, the new channel. The moving excavator is humming deeply. The shovel holds six cubes, the crane arm is 45 meters long. Above the din of the work you can hear Vysotskiy: "We are tearing to pieces the belly of mother earth..."

We become acquainted with the crew. There are six members, all from Moscow. They have been in the

Kalmyk ASSR for 2 years and in this area—4 months. The head of the crew is D. D. Ilin; two of his sons—Viktor and Nikolay—are with him.

"The volume of work is enormous," says Dmitriy Danilovich. "As for people's worries about this construction, that is not our concern; we are earning our money honestly. Yes, ground waters have already appeared. Perhaps the bottom should be shallower and the embankment higher. Who knows..."

"Will Mother Volga have enough water to feed the canal?"

"I do not think so. After all, the plan to divert the northern rivers has not been cancelled, just suspended..."

On whose land this waterway will pass, we know. Whose future will it involve?

## POLICY, ORGANIZATION

**Tajik Light Industry Ministry Being Abolished**  
*18270071 Moscow SOTSIALISTICHESKAYA*  
*INDUSTRIYA in Russian 7 Mar 89 p 1*

[Article by Ye. Spiridonov: "The Ministry Declares...Self-Liquidation"]

[Text] After reading in the local paper that the Tajik SSR Council of Ministers is developing the concept of liquidating the republic's Ministry of Light Industry, and transferring all of its 30 enterprises to a rental system, I decided to meet with the man who, it seems to me, may consider himself the chief victim in the planned act. But almost as soon as I started my conversation with Sharif Kalandarovich Kalandarov, I grasped that in this case, congratulations would be more appropriate than condolences. "Liquidate a ministry! We found something to scare them with! This was my doing, you know!" he brightened up as soon as I showed him the paper.

And then he explained in detail that he had carefully thought out this step with the ministry's specialists. There are 40 people in the branch's headquarters. No one can say how many are needed. And when an agreement is reached with the enterprises for administrative services, then they can decide with the factory directors themselves how many and which specialists to keep. And these will already be managing entrepreneurs rather than apparatchiks pushing papers.

Resolving to take such a step is no simple thing. What compelled the ministry workers, what forced them into such a sharp turn-about toward the complete unknown? In all the offices of the branch's headquarters, the answer was essentially the same: harsh criticism from all sides. The branch's enterprises do not provide the republic's population with goods, meaning that the ministry functions poorly. The situation deteriorated when light industry was switched to self-financing. Here it experienced something like the last-stop syndrome. Losses from ineffective management became an unbearable burden for the majority of the enterprises; the ballast dragging them down to the bottom. They took such a step to avert disaster. It became clear, from conversations with the ministry's workers, how they perceived such a change: "Before, we had power over the enterprises; now, we will serve them."

There are more than enough problems to break your head over. Many of them are purely local. Tajikistan is a republic with many children; an average of 5-6 in a family; often, 9-11. All must be shod and clothed. Children's clothes comprise 92 percent of the output of the general production volume of the Dushanbe sewing association. Its profitability, it is known, is low; under khozraschet you will not squeeze a lot out of it. And in addition, the leading industry must cover the losses of entire productions. The affiliates in Nurek, Kulyab and Kurgan-Tyube were constructed for the purpose of

attracting unoccupied workers; the branches are for the time being in no condition to even pay for their production funds, not to mention recouping all of the expenses of production output. And then the seamstresses limit their long-term development. No, another solution must be sought here.

Another "sinking ship" is the Dushanbe footwear association. Its annual output (together with the Leninabad factory) is only ten million pairs. The republic needs twice that many. Therefore the association has been conducting reconstruction for several years now. A new set of equipment manufactured by an Italian firm will soon be installed at the lead factory. In Dushanbe, a children's footwear factory will be built, and a tanning plant; a factory for non-leather shoes will be built in Kulyab. All of this is being done on someone else's account. Earlier, the republic ministry, using its power, reallocated income from enterprises at its own discretion; it took from some and gave to others. The director of the most profitable Dushanbe cotton combine, M. Zaripov, states without beating about the bush that shoemakers weigh down the collective: "Using the normative rules, the ministry cleans out any profit due us and gives it to them." That is how it was, and for the time being, that is how it still is. And how will it be, if the ministry loses its position of command? Well, will reconstruction be stopped?

"We thought about that," the minister said, clutching his head in his hands, looking at papers with numbers. "You know what comes out of that... The textile workers have high profits not because they have succeeded at the expense of the competition; they succeeded in a market of weak rivals. They were simply lucky: they retooled their equipment sooner than the others, and introduced new power at the expense of centralized resources. They managed to capture something from the budget before self-financing. Therefore, it cannot be said that they themselves created their own fortune. Therefore, I am in favor of income regulation."

I uttered the suggestion that "perhaps you would agree that under the new conditions, free regulation will not pass?"

It turns out that this circumstance has already been thought through from all sides. They found a way out of the situations based upon the fact that within the framework of the organization, the enterprises themselves will be concerned with the capital market. Now, for example, throughout the republic's Ministry of Light Industry, 41 million unused funds for economic stimulation have accumulated. If everyone just "sits" on his pile of money, it will hardly be advantageous to utilize and increase it. After all, it can be jointly decided where to direct them first. And not only to assist the shoemakers. For example, we could quickly develop the knitwear industry, earn hard currency for its production and buy equipment for the workers of the sewing industry. And



then, using our brains, we could use the income received not to live with better salaries right now, but to increase them incrementally. A commercial bank must be created for this.

As a first-order task, one which the administrators must solve, they chose finding sources for increasing enterprises' profit by lowering expenses. Now the majority of collectives will adjust their financial affairs, raising the price for goods, refusing to put out cheap articles.

By this egotistical aspiration, the government has begun to oppose the well-known anti-inflationary measures, which have affected, in addition to children's items, article for youth and the elderly. And the consumer himself is no longer resigned to this; he has created societies to defend his interests. In a word, the far-sighted industrial executive understands that the era when money could be made at the expense of raising prices will soon be over. They must be prepared for this, so that the business does not go up in smoke.

The apparatchiks of the ministry being prepared for self-dissolution, clearly see that this is a layer of problems which demand answers, including ones of an administrative nature. The specialists have already begun their secret competition among themselves: who will propose the best solution. They understand that their future will depend on this: who remains here to work in a new capacity will not leave.

## GOODS PRODUCTION, DISTRIBUTION

### Unmarketable Imported Goods Cause Concern 18270062 Moscow TRUD in Russian 7 Feb 89 p 2

[Article by V. Golovachev: "With a Foreign Label: Why We Buy Unpopular Goods Abroad"]

[Text] According to USSR Goskomstat figures, unpopular imported goods which lie too long in our stores have accumulated to a total of R44 million since the first of October of last year. Basically they are clothing, linen, knitted wear, and footwear purchased in Hungary, Poland, GDR, Czechoslovakia, Rumania, Yugoslavia, Vietnam, Syria and a number of other countries. Essentially, they do not conform to the demands of style, have unappealing colors, and are too expensive. Do imports of R44 million amount to a lot? They total around 5 percent of the total number of goods which are still lying around at the time of inventory.

It would seem that today in conditions of an acute goods shortage, when many items arriving in stores disappear from the counters immediately, it is difficult to imagine unpopular articles which do not sell. It is particularly true of those with a foreign label which, as a rule, enjoy increased demand. Isn't there a mistake here? No, Goskomstat figures are reliable. All the more reason that the

number R44 million seems staggering. Who purchased goods abroad which, even with our overall deficit, cannot be sold? And who priced them so exorbitantly?

On a Saturday in January, I set out for one of the central Moscow department stores where there are always many people, where both Moscovites and guests of the capital, without fail, drop in in search of needed items. This store is from the Moscow trade firm Vesna, No 27 on Kalinin Prospect. In the mens' suit section, hanging alone in the marked-down area, were light-blue-colored Polish jackets, reduced in price, and made from cloth which is of the matting type. At first they had cost R50, but since September of last year they were R30. For how long do you think these Polish jackets would remain in the store? I'll tell you and you won't believe it. They were delivered the first quarter of 1986. Over this three-year-period you think they would have been taken away by now. But they are still waiting for a customer.

"Fifty rubles for that jacket is of course too expensive," said the salesperson, "and styles change rapidly."

In the womens' clothing section, I was shown Hungarian dress suits with red and violet designs. They were 100 percent cotton. They cost R60, and had been hanging since 1987. Why? It was explained to me, "The style is not attractive, and the price..." Nearby were other cotton garments which had been lying around for a long time, also from Hungary. Womens' jackets were priced from R85 to R95. There was one item which caught my eye, but once again, the price.

What is happening? We buy goods abroad, but here we cannot sell them. Okay, it's clear. At times, we ourselves sew things that one would be ashamed to deliver to a store. But why should we obtain goods overseas which, according to the USSR Goskomstat, are precisely described as "not conforming to the demands of fashion in unattractive colors." And if we buy good items, why do we set such ridiculous prices?

"For the Treasury," erudite specialists explained to me, the stupid one, "in order to replenish the State budget."

"How is that so?" I said, not able to make complete sense out of this. "Really, when articles hang in a store and don't sell for years, the State budget doesn't get the money. There are only losses," I replied.

"Don't worry," they reassured me. "Not much lies around. In time, we'll sell it." So that's the way it goes! Millions of public funds...not a lot, and 3 years is nothing. We live very well.

Nonetheless, to whom does one present a claim? To no one. The system is so cleverly arranged, that today the decision regarding a foreign purchase is handled collectively. Large numbers of individuals sit, and who is held accountable? That isn't the only question. Purchases take place in an amazing way. Specialists, selecting and

buying goods, in many instances, do not know the exact retail price which is the one we will be using in our country. So they come up with a rough estimate. For example, the jacket might cost around R30 or R35. But then, when the contract is already signed, a worker from the State Committee on Prices will say that the retail price is R50. But these extra 20 kopeks can really alienate a shopper! In general, how is it possible to purchase an item, not understanding its retail price?

No less shocking is the fact that trade workers selecting samples do not have adequate information. Namely, what kind of imported goods purchased in the past have turned out to be unpopular? Aggregate figures can be ascertained, with great delay, from the USSR Goskomstat reports, and identification of specific unpopular articles once again, only after a certain period of time. Can you imagine conducting trade negotiations not knowing the exact state of one's own market? Can you figure this out? It is said that information about the movement of the market is received almost on a daily basis in developed countries. Why does it seem as though we aren't interested in trade in our country? Are you sure that with the deficit as it is, everything will be sold? However, the same USSR Goskomstat attests to the fact that on the first of October of last year, R960 million of unpopular, unsold non-foodstuffs had accumulated in the country. This comes to almost a billion rubles. Well, is this also a mere trifle?

Errors in trade have cost a pretty penny. Let us recall how for years, men's shirts from India lay in the stores, marked down several times. How difficult it was to sell some of the other imported articles. It is hardly worth

trying to prove that the responsibility for errors in the trade sphere should be an impersonal one. Rather, it should be totally personal. Each individual should be held accountable for his or her work, for the job assigned. The most important thing needed is an effective economic mechanism.

Here is an interesting example. A few dozen of our large department stores have the right to sell abroad and to purchase goods there through so-called direct ties. What happens then? In this situation, as a rule, there are no unpopular goods. This is understandable. The department store, under *khozraschet* conditions, buys only that which certainly will be in great demand.

What will happen to the other stores, including the small ones? It's impossible for all of them to establish direct trading ties. This means that it will be necessary to switch over to *khozraschet* relations with those who purchase imported goods and set prices. If they make an error, then they must cover the losses. And if they make a good choice, then they should receive, for their services, some portion of the profit from the sale of the item. How could it be otherwise? So that each person's salary will depend directly on the concrete results of his or her work. Then, perhaps in contracts with foreign firms, a specific clause can be added: in cases where the item is not in demand, the store can send it back. Incidentally, a first experiment of this kind already exists.

Be that as it may, economic relations must operate in commerce. They are all the more urgent now, when foreign trade is starting to develop at a rapid rate.

## ELECTRIC POWER GENERATION

### Volcanoes Proposed as Source of Electric Power 18220101

[Editorial Report] Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian for 13 April 1989 carries on page 4 a 1300-word article by M. Dmitruk entitled "Electric Power Plant on a Volcano." He reports that the members of "Vita," a recently created union of scientific-technical, engineering, and construction cooperatives for the use of natural resources, plan to design a power plant using volcanic energy to generate electricity. As "Vita" chairman V. Zenko explains, in earlier geothermal power plants holes were sunk at the foot of a volcano. The steam produced was of a comparatively

low temperature and very moist, causing rapid corrosion of pipelines and turbines. Their solution is to sink holes on the slope of a volcano and to produce a dry, high-temperature gas-steam mixture with a stronger generating capacity. Danger would be minimized by building the power plant underground and by using automated controls.

A commentary is provided by R. Akhmedov, deputy chairman of the scientific council for new and renewable sources of energy under the USSR State Committee for Science and Technology. He states that the hypothesis might be successful but would require thorough study and large expenditures, especially for reliable equipment. "However, all the money will be quickly recouped if the electric power plant really works."

**Report on AUCCTU Election Nomination Plenum**  
*18280094 Moscow TRUD in Russian 23 Mar 89 pp 1-2*

[Report by Yu. M. Kulemin, Chairman of the Election Commission for Electing the USSR People's Deputies from the Trade Unions: "In the Spirit of True Democracy"; first 10 paragraphs a boldface announcement of the AUCCTU Plenum]

[Text] Yesterday, the 5th, Expanded Plenum of the All-Union Central Council of the Trade Unions (AUCCTU) was held in Moscow.

The plenum considered the questions of electing the USSR people's deputies from the USSR trade unions and of developing the platform for the USSR deputies from the USSR trade unions.

The plenum's participants were able to study in advance the biographies of union candidates, main points of their election platforms and recommendations and comments expressed by union members at meetings at labor collectives. Those materials were supplied by the Election Commission for Electing the USSR People's Deputies from the Trade Unions.

Yu.M.Kulemin, Chairman of the Election Commission for Electing the USSR People's Deputies from the Trade Unions, delivered a report on the former issue to the plenum.

After that, 100 USSR people's deputies from the USSR trade unions were elected. The list of the deputies will be published.

AUCCTU Secretary V.N.Makeyev delivered a report on recommendations to the USSR deputies from the USSR trade unions. A.A.Bagriy, industrial training instructor at the Orel trade and technical school No.7; L.A.Yakovlev, central committee chairman of the trade union of motor transport and highway workers; A.N.Pechkovskiy, assembly worker at the "Rostselmash" production association imeni Yu.V.Andropov; S.T.Melyokhin, large-scale machinery shop operator at the Nizhniy Tagil metallurgical complex imeni V.I.Lenin; Yu.A.Scheglov, chairman of the Yaroslavl oblast trade union council; V.A.Shvetsova, artist at the Semyonov arts and production complex "Khokhloma Design", Gorkiy Oblast; N.A.Kovalev, lathe operator at the Khorezm construction and assembly administration of the "Khorezmsovkhosvodstroy" trust, the town of Urench; I.D.Kobzon, Moskontsert performer; N.I.Travkin, student at the Moscow Superior Party School; V.G.Dybal, chairman of the union committee at the Belorussian production association producing heavy duty "Belavtomaz" trucks; N.I.Golubev, polishing machine operator at the Udmurt ASSR Izhevsk electromechanical plant, and V.A.Fyodorov, senior furnace machinist at the Magadan thermoelectric station, discussed the recommendations.

The plenum endorsed the recommendations from the USSR trade unions to their deputies.

AUCCTU chairman S.A.Shalayev spoke at the conclusion of the plenum.

At that, the plenum concluded its work.

V.P.Orlov, chairman of the Central Election Commission on Electing the USSR People's Deputies; Ye.Z.Razumov, first deputy director of the Party Building and Cadre Work Department of the CPSU Central Committee and V.G.Fyodorov, sector director of the Party Building and Cadre Work Department of the CPSU Central Committee, took part in the plenum.

Comrades:

Before you, the delegates to the present All-Union Central Council of the Trade Unions (AUCCTU) plenum, will carry out your new constitutional right, i.e., elect the USSR people's deputies from the country's trade unions; the election commission is obligated to report to you about the election campaign conducted after the 4th AUCCTU Plenum.

As is well-known, on January 18, 1989, the 4th AUCCTU Plenum nominated 114 candidates for the USSR people's deputies from the trade unions. The election commission reviewed the plenum's procedures, as well as letters confirming the candidates' consent to stand for election, and found that the nomination of all the candidates for the USSR people's deputies has been carried out in compliance with the Law on the USSR People's Deputies Elections. They were registered by our election commission and the list of candidates was published by TRUD within the time period required by the law.

Let me remind you that 74 of the candidates, or almost two thirds of the total, are representatives of labor collectives and grassroot union organizations, 45 are workers and ordinary collective farmers, 12 work in science, health care, education and culture and 11 represent union committees; among them are 12 chairmen of city, oblast, kray and republic union committees, 14 of trade union councils and 9 of central committees; 4 candidates are members AUCCTU leadership and nearly one forth of all candidates are women. Among the candidates are representatives of 21 nationalities, of all industry trade unions and of trade union organizations of all union republics; 68 candidates hold college degrees and 20 graduate degrees. Almost all candidates are deputies in union management bodies, including 31 in the AUCCTU and the Central Inspection Commission of the trade unions, 35 in central management entities of industry unions and 58 in republic, kray, oblast, general and industry trade union bodies. Seven candidates are in the USSR Supreme Soviet.

As required by the election law, the candidates participated in a 2-month election campaign. They were greatly helped by 584 personal assistants. The campaign, like all current elections to the country's supreme organs of state power, was conducted in a new way unprecedented in our political practice. An important new feature of the pre-election meetings with candidates is the fact that they were not restricted to union officials but at an overwhelming majority of work collectives included ordinary union members, workers, collective farmers and white collar workers. This is a sign of the truly democratic character of the election campaign; when union members meet with the candidates, express their attitude toward them and the plans of their future activity and voice their demands, they truly take part in building the block of trade union deputies.

The evaluation of candidates everywhere was active and enthusiastic, as well open and public. In all, 1,199 meetings were held, featuring approximately 300,000 participants and over 6,000 speakers. Meetings took place at labor collectives, grassroot union organizations and gatherings of union activists of rayons, cities and oblasts. They took place in all union republics and all oblasts, krays and autonomous republics of the Russian Federation. The election campaign was broad and comprehensive and covered all the unions. AUCCTU leadership, high officials of industrial and territorial union bodies and all union members nominated as candidates spoke to workers and discussed the programs of their future activity. Meetings with workers took a number of different forms. They included roundtable discussions, debates featuring several candidates, visits by candidates to labor collectives, discussions with workers, etc. A booklet distributed to you describes how each candidate participated in the election campaign. It should be noted that N.I.Babchenko, R.R.Metsar, N.V.Panteleyev, P.A.Polyanskaya, A.M.Tyutryumov and some other candidates took part in at least 20 meetings each.

The election campaign was well-covered in the press and by other mass media. TRUD and industry publications ran articles about 98 candidates and their election platforms. In all, the trade union press ran 250 related articles. Candidates and their ideas were featured in PRAVDA, SOTSIALISTICHESKAYA INDUSTRIYA and a number of other central publications. Many candidates were interviewed by republican and local newspapers, on television and radio. Posters featuring candidates and their election platforms were printed locally.

Considerable work in organizing the election campaign and meetings with candidates was carried out by central committees, councils and other trade union bodies. The campaign was supported by party committees and benefited from their assistance.

The Election Commission on Electing the People's Deputies from the trade unions took an active part in the election campaign. It supplied necessary materials on unions activities and election platform to the candidates,

provided explanations on important issues and consulting services to candidates, worked out general conclusions about organizational and mass and political work experience during the campaign period and analyzed written and oral questions from workers and proposals and suggestions addressed to candidates or expressed about the unions' election platform at meetings, in the press and in letters from workers. It also printed mass editions of posters featuring the text of the unions' platform and listing their candidates and sent them to union organizations. Every participant of the present AUCCTU Plenum has been given a booklet containing brief biographical information about the candidates.

The election commission proposed holding direct discussions with voters over a hotline, in which 25 union candidates took part. The questions and the answers to them were reported in TRUD.

In the course of the election campaign, union members expressed their unanimous support for the communist party's course of perestroika and renewal of the society, radical political reform and new principles in formation of the supreme organs of state power. They approved the party's election platform contained in its Central Committee's appeal to the party and the Soviet people.

The election campaign of the union candidates was based on the unions' election platform approved by the 4th AUCCTU Plenum, which addressed a broad range of issues of vital importance to workers. It was received with profound interest by union members who appreciated the positive fact that the AUCCTU openly and decisively spelled out its position in so crucial a political campaign. This was convincingly stated in a letter by I.P.Povirenniy, a metalworker and chairman of the council of the labor collective at the Dnepropetrovsk combine plant production association: "I was very satisfied by the election platform of the Soviet unions. I enthusiastically support the unions' stance on such issues as the need to reward honest labor, improve labor conditions and leisure facilities and exercise better control over price setting, social welfare and moral and spiritual rebirth of the society."

At labor collective rallies and union worker meetings everywhere the unions' election platform was met with support and approval. In the course of the discussions many points were developed and worked out in greater detail. Many proposals were made addressing problems more in depth as well as spelling out ways to solve them. Workers were united in the main recommendation: future people's deputies from the unions, as well as the unions themselves, must make every effort to achieve the goals set by the election platform.

In the conditions of broad democracy, the candidates and their election platforms, professional qualities and other character traits were discussed at the meetings in a free and uninhibited manner. As a rule, the meetings



were informal and conducted in a friendly and constructive manner. People honestly stated their attitude toward the candidates, expressing support for them and for the aspects of the people's candidates' actions which they felt were most topical and important. They repeatedly stressed the communality of goals and aims of the future union deputies and all workers.

At the meetings with candidate Bazor Rakhmanov, crew head at the "40th Anniversary of October Revolution" kolkhoz in Uzbekistan, it was repeatedly stressed that he is a man of the people and knows the people's concerns; that workers will always offer him their help and support in carrying out the recommendations they have given to him. "We need no biographical data on Bazor," said his fellow-villagers. "Everyone knows him here, children and adults alike, since he has always lived and worked right here, among us. He is modest and unassuming, but when push comes to shove he will not keep silent."

"The platform of our candidate grows out of our life itself," said someone about Lyudmila Nikolayevna Vaynova, Ph.D. in Economics, at a meeting with her. "If there were more people like her among the deputies, we think that important problems would be solved more successfully."

Internationalist soldiers from Tashkent have asked the election commission to inform this plenum of their support for Iosif Davydovich Kobzon. In particular, they write that he is not just an excellent performer but his work is a major policy statement promoting Soviet patriotism and moral standards.

A conference of war and labor veterans at the Izhorsk plant association unanimously endorsed candidate Aleksandr Ivanovich Baranov, chairman of the union committee. Workers describe their union committee chief as a responsible, principled person, someone who can grasp the core of the problem and act independently, without prompting from above.

A collective letter from Primorskiy Kray endorsed the candidacy of Leonid Yakovlevich Syprunov, chairman of the kray committee of the motor transport and highway workers' union. He proved himself a good organizer, a man determined to find solutions to all problems and a demanding and caring comrade.

I could cite numerous words of praise from union members for almost every candidate. Also, in the course of the election campaign, many proposals were expressed to our candidates addressing both federal and local issues. Union members want highly qualified deputies to represent the Soviet unions competently, defend workers' interests in a determined manner and be an active force in the supreme organ of state power in the country.

Proposals which in our opinion can be viewed as recommendations to union deputies should be summarized for the plenum's participants.

At meetings with candidates O.Annamukhamedov, V.A.Borovkov, N.I.Gutskalov, A.A.Zhukov, L.A.Klimentova, R.G.Kulakova, V.G.Lomonosov, R.R.Metsar, B.S.Mitkin, A.A.Plamdyala and others, the issue was raised of the need to build a state based on the law and to improve judicial policy. In particular, the following ideas were expressed:

- state laws affecting the people's interests should be enacted by popular referendum;
- labor law reform is urgently needed;
- the question should be raised how to accelerate the enactment of the USSR Law on Lease Contract; it should be published for popular discussion;
- and it was noted that union entities at all levels, from the locals to the AUCCTU, should get the legal right to veto or stop plants and construction projects which harm the environment or human health.

A particularly large number of demands were heard to improve retirement benefits. At meetings with E.Abakirov, V.M.Babich, Z.A.Vedenkina, K.Yu.Matskyavichyus, V.A.Opolinskiy, L.Ya.Suprunov, A.M.Tyutryumov, V.I.Tzyganov, S.A.Shalayev and A.M.Shvets proposals were expressed to:

- enact a single USSR law on retirement benefits for workers, collective farmers and white collar workers;
- make sure that the USSR law on retirement ensures sufficient pensions to live above the poverty line;
- abolish the social injustice which exists in retirement benefits for collective farmers;
- and fight for all retirees' right to get their pensions in full regardless of how much they earn, and to abolish limits on pension size for retirees with certain skills.

The issue of making the vacation system more orderly was raised everywhere during the election campaign. At meetings with V.I.Bakulin, A.P.Kashirin, Yu.I.Knyazev, S.T.Melyokhin, V.T.Sedenko, G.I.Yanayev and other candidates, the following was proposed:

- to speed up the publication of the USSR Law on Vacations for popular discussion;
- to fight to increase the number of paid vacation days for workers to 18 and allow managers of enterprises and chairmen of councils of labor collectives to provide initially up to 6 additional vacation days, based on the results of workers' labor;
- allow enterprises themselves to offer additional vacation time;

—and to exclude Saturdays from computing vacation days.

The issue of improving working conditions for women were the subject of heated discussions at meetings with candidates M.A.Gashper, V.V.Gustov, T.N.Dobrovolskaya, L.N.Druzhinina, M.B.Ikharlova, A.A.Korenev, S.M.Tapanyan, I.I.Tubolets, V.S.Raupene, M.B.Ryzhikov, A.D.Shirokopoyas and many others. The following concrete proposals were made:

- to draft a USSR Law on Motherhood;
- to establish special supervision over efforts to exempt women from hard physical labor and from employment in dangerous industries;
- to fight to exempt mothers of small children from the 3-shift rotation schedule and relieve women from working nights;
- and extend paid maternity leave.

Practically everywhere issues related to increased role of the unions in setting prices for consumer goods and food products were raised. For instance, at meetings with M.D.Masliy, E.A.Pamfilova, N.V.Panteleyev, V.A.Sologub, K.Turysov, S.A.Shalayev, A.M.Shamikhin and others the following proposals were made:

- to take a decisive stand on the issue of retail price reform, and not allow the living standard of workers to fall;
- to fight unreasonable price increases on consumer goods and food;
- to exercise control over prices on children's goods;
- to fight for the right to organize a union control commission on prices;
- and to raise the issue of equalizing the price of food in the city and on the countryside.

At many meetings, issues were raised about social justice and increased worker control over state retail trade, catering and consumer services. Many proposals concerned the need to improve the environmental situation and inter-ethnic relations in the country and other issues of immediate concern to workers.

Comrades, it is impossible of course to give in just one speech a detailed account of the results of the election campaign, all the issues that were raised and every candidate.

Since proposals made at meetings with candidates have been passed on to the AUCCTU commission on drafting recommendations to our deputies and since that commission will present its own special report, I feel that my discussion of this subject can be limited to the above-mentioned examples.

In addition, we have booklets which summarize each candidate's platform and union members' comments about it, as well as their suggestions and recommendations to their candidates. We hope that it will help you form an opinion about the candidates and assess their positions in order to make the right choice thoughtfully and with full cognizance of your personal responsibility.

The election commission, having studied the records of the election meetings, reports to the AUCCTU plenum that all the USSR people's deputies from the unions were given necessary support.

Comrades! In accordance with the provisions of the election law, the election commission must report to you about workers' letters related to the elections of the people's deputies from the unions. Following the 4th AUCCTU plenum we have received a total of 267 letters and cables concerning our candidates. In general, they express support for the candidates and contain suggestions and recommendations to them. At the same time, 33 letters contain critical comments and objections to individual candidacies. The election commission feels that it must inform the plenum's participants about this fact.

One of the letters maintains that E.V.Yenshakov, chairman of the Magadan oblast union council, did not make the necessary effort to reverse an illegal decision to provide an apartment to one of the oblast's economic managers ahead of the waiting list. Indeed, the oblast union council, to which the author of the letter complained, did not show requisite persistence in reversing this decision taken in 1986 by the Magadan city ispolkom on the request of oblast leadership. Last February, as a result of this letter to the election commission, the oblast union council sent to the city prosecutor's office the official request for annulling the earlier lease on the apartment.

We have also received a report alleging that when A.V.Kapustin, chairman of the Sakhalin territorial union of coal industry workers, was party secretary at a mine, certain financial irregularities were uncovered. An inquiry revealed that in 1974 he was late submitting party membership dues, for which he got a party reprimand.

The letter from the Votkin plant production complex in Udmurt ASSR contains a complaint about V.L.Telegin, chairman of the plant's union committee, because of his bureaucratic approach and delays while reviewing a

worker's complaint about an illegal decision by management transferring her to a different job. Indeed, because of the lack of requisite supervision by V.L.Telegin, the resolution of that labor conflict in 1988 was unjustifiably delayed.

In the name of the collective of the refrigeration car depot of the Moscow railway, it has been reported that the presidium of the central committee of the union had agreed to service refrigeration sections by smaller crews without extending the right to special pensions to section heads who now also work as mechanics. Consequently, the collective feels that the union's central committee has disqualified itself from dealing with issues of labor protection and opposes the nomination of I.A.Shinkevich as a people's deputy.

The inquiry has shown that the agreement was reached in 1984, before I.A.Shinkevich became chairman of the union's central committee. On March 17, I.A.Shinkevich met with the depot's labor collective and answered workers' questions.

We also received an objection to the nomination of L.M.Kalachev, IL 62 crew captain at the Far East civil aviation administration, since at the initial stage of the nomination process there allegedly had been no broad discussion of his candidacy in the administration's collectives. The inquiry showed no violations of the due process in L.M.Kalachev's nomination. At 12 meetings, including some in the administration's collectives, he received necessary support.

Some letters doubted the usefulness of electing N.I.Gutskalov, fishing trawler captain and director, since he spends long periods of time at sea and it will be hard for him to carry out his duties as a deputy. I want to mention that at election meetings this candidacy received broad support.

Some letters oppose individual candidates because their authors believe that those candidates were not objective in reviewing their complaints or resolving labor disputes. Such complaints have been received against S.A.Shalayev, V.A.Sologub, K.Yu.Matskyavichyus, A.M.Yakovlev, B.I.Pozharskiy, V.A.Gorelkina and L.A.Klimentova. All candidates were informed about those letters. The allegations were checked and were not confirmed.

Two letters, as well as the newspaper VODNYY TRANSPORT and yesterday's issue of the newspaper LESNAYA PROMYSHLENNOST, called for a recall of V.G.Lomonosov because from 1965 to 1976 he was the second secretary of the Uzbekistan Communist Party's Central Committee and therefore must be held responsible for the violations which took place in that republic during that period. On this issue, the election commission received the official report of the CPSU Central Committee's Party Control Commission and a response

to our query from USSR Prosecutor General A.Ya.Sukharev, both of which assert that party and law enforcement agencies have no compromising information on V.G.Lomonosov.

The same newspapers criticized the bureaucratism of K.Turysov. However, they provided no substantive proof of their accusations.

It should be noted that at all meetings during the election campaign both V.G.Lomonosov and K.Turysov were supported by labor collectives and union activists.

Some letters contained allegations about I.D.Kobzon, V.V.Payshchikov, P.A.Polyanskaya, Z.K.Rustamova, A.M.Tyutryumov and V.I.Tsyganov. Yet, investigations have revealed that facts reported in those letters either did not check out or were subjective in character.

All the above-mentioned candidates were informed of complaints about them. Many authors of such letters were invited to the election commission and were given answers to their questions.

Yesterday and today the commission received letters complaining about A.D.Shirokopoyas, B.S.Mitkin, V.I.Zaytsev, O.Annamukhamedov, G.A.Amangeldinova and B.I.Romanov.

The commission will consider them as required by the regulations.

Having reviewed above-mentioned facts, the election commission certifies that all the candidates nominated by the 4th AUCCTU Plenum are eligible to run for the USSR people's deputies from the country's trade unions.

Comrades! The election commission has inspected the list of voting delegates to the present USSR union deputies election plenum submitted to us by the AUCCTU Presidium and concluded that it fully conforms to Articles 36 and 51 of the Law on the USSR People's Deputies Elections and the January 18, 1989, resolution of the 4th AUCCTU Plenum. Voters include members and candidate members of the AUCCTU, members of the Central Inspection Commission of the unions and chairmen of central committees and of oblast, kray and republic trade union councils, and chairmen of central committees and councils of volunteer unions (and if no such position exists, members of their central committees or councils) which are not part of the USSR trade unions' central organs. It is interesting that more than one half, or 53.3 percent of the voters, are workers, skilled workers and ordinary collective farmers.

The election commission has approved the text of the election ballot which lists all registered candidates in alphabetical order including the surname, name and patronymic, as well as position or occupation and place of employment and residence of each candidate.

All 114 union candidates are present at the plenum.

This covers, comrades, the topics which the election commission felt it was necessary to report on before the AUCCTU plenum.

**Computerized Employment Services Established**  
*18280082 Moscow IZVESTIYA in Russian 3 Mar 89 p 1*

[Article by V. Konovalov: "How to Relocate in the Countryside"]

[Text] We have been talking about this for many years, sounding the alarm in connection with the most acute personnel deficit in rural localities. But when one gets down to the heart of the matter, it appears that nowhere in the entire country is there even the simplest information service which could help those wishing to move to a rural area to work.

It's true that such individuals are growing in number as changes in our economy continue to develop. Considerable opportunities are opening up for becoming a proprietor. Sociologists and readers have already observed this tendency. But where can one locate a suitable spot? Such information doesn't exist in the placement bureaus. This is also true of Gosagroprom agencies. It's a fact that addresses of enterprises needing people are published in a number of newspapers and magazines. Only KOMSOMOLSKAYA PRAVDA assisted in relocating 20 thousand persons to rural localities. However, the possibilities for assistance from journalists are limited. Moreover, as a rule, hundreds, even thousands of letters are sent to every published address of an enterprise where there are 10-20 vacancies. Newspapers aren't able to take on this uncharacteristic function.

Obviously, a computerized service is needed which would be able to come up with suitable alternative possibilities quickly, to inform the enterprise and the worker, and to establish a business-like tie between them. However, no one in Gosagroprom or Goskomtrud is interested in this simple idea. It often appears as though Agroprom workers create an existing deficit of village personnel. You see, any manpower shortage problems can always be written off. But in Goskomtrud, they are convinced that the current system of resettlement through organizational recruitment is totally efficient even though practical experience leads one to believe otherwise.

So what, let them [official organizations] exist on their own. Soon it will be possible to manage without them. Cooperators have taken up the charge. The other day, an information service called "Fermer," part of the cooperative Informbank, started to operate. Its chief goal is to help the rural chernozem region by providing skilled workers. It seems that drawn-out conversations and a lot of time aren't required. The computer sorts out the best variations. Stipulations are simple. One needs to write to

the following address: Information Service "Fermer," Kievskaya ulitsa, 22, Moscow 121165. Supervisors of enterprises will get a response with specific proposals. And the applications of those wishing to relocate to a village will be entered immediately into the electronic memory. Only the following information is needed: last name; first name; patronymic; information about other family members—that is, who is able and willing to work; housing requirements; facilities for children; desired location of enterprise. And it's also required to enclose a receipt for remittance of 15 rubles to the current account no. 2461642, Kiev Regional Branch of Promstroybank in Moscow. If a suitable possibility is not found in the course of 6 months, 10 rubles will be returned to the client. KOMSOMOLSKAYA PRAVDA concluded a trade agreement with a cooperative, and will report regularly about its work.

Also, one other bit of news. The Central Committee of the All-Union Lenin Young Communist League, together with the RSFSR Goskomtrud, is getting ready to develop an automated system called "Poisk," which will undertake this work on a larger scale. Are these competitors? Yes they are, and this is good. Precisely, competitions will also force the middlemen to think about expanding their role. The village not only needs people, but the most varied type of assistance for the training of personnel in social-economic reconstruction. Information services could coordinate such work, set up contacts with other organizations and cooperatives, beneficial for the rebirth of the countryside. For example, we already talked about the scientific-advisory cooperative "Kolos" in Yaroslavskiy oblast which is involved in the training and placement of farmers.

In Moscow there is a cooperative named "Puls" which is ready to carry out construction and finishing work for enterprises situated near Moscow and the nearby non-chernozem oblasts, as well as to equip modern rooms for relaxation and video-viewing. One can name other collectives which are able and want to assist the village.

Before one's very eyes, in essence, an alternate service sector is being created, aimed at solving the problems of the rural economy. And not as directions from above, but rather as freedom to take the initiative—the decisive condition for its viability.

**Gladkiy Explains Effect of Khozraschet on Productivity**  
*18280077 Moscow SOVETSKIYE PROFISOYUZY in Russian No 4, Feb 89 pp 1, 8-9*

[Interview of I. I. Gladkiy, chairman, USSR Goskomtrud, by V. Illarionov: "Khozraschet: Interests and Incentives"]

[Text]

[Illarionov] Ivan Ivanovich, last year more than half of the branches of the production sphere worked under the new management conditions. Since January 1989 the enterprises of the rest of the production branches have shifted to full khozraschet [economic accountability]. However, the results of the radical economic reform are so far lower than expected, and in the majority of enterprises no fundamental turning point toward improving effectiveness of production has taken place. What do you see as the reason for this phenomenon?

[Gladkiy] There are, of course, many reasons. They include worn out fixed capital, obsolete technology, and shortages in material and technical support. However, the main reason is that the introduction of full khozraschet is not buttressed by corresponding restructuring of intra-production relations. In the majority of enterprises they are trying, as before, to solve this most important task by improving only individual elements of the overall system. A contract is viewed solely as an agreed form of organization and payment of labor; khozraschet amounts to an incentive for saving individual types of resources. In the majority of instances contractual relations still are not going beyond the brigade. Therefore, there can be no talk yet about unity of economic interests of elements and individual workers. Thus, intra-production khozraschet, in the form in which it exists at present in the majority of enterprises, has turned essentially into a brake on restructuring: excessive regulation of the activity of the elements, and tendencies toward leveling in wages.

[Illarionov] What do you see as the way out of this situation?

[Gladkiy] The logic of restructuring itself prompts the solution. First it is necessary to restructure the system of intra-production relations, on the basis of comprehensive introduction of the principles of economic accountability at all levels of production. Thus, the organizational and economic conditions for an increase in labor productivity and elimination of leveling in wages will be created. It will then be disadvantageous for the factory management, and the shops, and each worker to work poorly. The restructuring of internal economic accountability makes it possible to bring the principle of the new economic reform to each work site, and to put into action the creative potential of the labor collective, and on this basis, without additional capital investment, to improve the effectiveness of social production.

[Illarionov] What is the essence and specific content of this restructuring?

[Gladkiy] First of all, it is the creation of a unified system of material responsibility for the end results of labor. It must permeate the entire production structure, both vertically and horizontally. Second, it is developing the principles of self-management in the activity of the labor collectives of the elements, and granting them independence in solving operational-production questions.

Third, it is strengthening the mutual economic responsibility of these elements, on the basis of contracts concluded between them. And finally, it is the creation of a single system of economic incentives covering all processes in goods production, and turning the plan, prices, norms, and incomes into true levers for improving the effectiveness of the work of all shops in the enterprise or association. In this way, the essence of intra-production khozraschet will be manifested in its comprehensive effect on all elements of an integrated control system: planning, organization, accounting, monitoring, and, naturally, providing incentives.

[Illarionov] Obviously, implementation of these principles fully requires serious preparatory work. With what must it begin?

[Gladkiy] I would advise the labor collective to use more effectively the experience of organizing and paying for labor on collective contract principles, which has been acquired in many enterprises. It is namely the contract that must become the organizational basis of the restructuring of intra-production relations. In the new understanding, the collective contract provides for use of khozraschet principles by all subunits of the enterprise, both horizontally and vertically. It leads, essentially, to a conversion of such concepts as contract, and khozraschet, which are inseparable under the new management conditions.

I am convinced that the contract, in this expanded interpretation, must become the usual practice of each shop and construction administration, and of the other elements in the production branches of the economy. This will create the prerequisites for the consistent development of its principles in sectors and brigades, and will close the entire system of economic relations in the enterprise into a single mechanism, encompassing all levels of production.

[Illarionov] What are the specific directions of restructuring intra-production relations?

[Gladkiy] Practice shows that, given all the diversity of approaches, each enterprise must consistently solve a number of tasks, which include improving the organizational structure of production, forming a system of planned indices that covers all processes in production, developing an effective system of accounting for material resources, introducing effective organizational forms of coordination of khozraschet elements on a contractual basis, and, finally, structuring a new method for forming funds to pay wages.

[Illarionov] And do examples of the comprehensive approach already exist?



[Gladkiy] Yes, of course. For reference one could name the Kalush production association, Khlorvinil; the Podolsk Machine Building Factory imeni Ordzhonikidze; the Grodno Textile and Thread Association; and the Lebedin Mining and Concentration Combine.

Each of these enterprises is stressing finding comprehensive solutions to problems of restructuring intra-production relations. In order not to make unsubstantiated statements, I will briefly characterize the system of organization of intra-factory khozraschet at the Odessa Odeskholodmash Production Association. Here restructuring the entire system of intra-production relations began with improving the organizational structure of management. Design, construction, technical and scientific research elements, as well as production shops and technical support services were combined, according to the principle of similarity of products and functions, into 22 scientific-production firms. The activity of each of these firms is based on principles of collective contracting and full economic accountability.

Intra-production relations of the structural elements within the firm, as well as their ties with other khozraschet elements of the association, are carried out according to intra-firm contracts, with mutual transactions by check, according to the final results. A bank for khozraschet operations created in the association coordinates and controls the entire system of mutual transactions.

The combination of centralized management with economic independence and initiative of the structural elements is provided by stable planned targets and norms for the quarter. Above the amounts established in the plan, each khozraschet element of the association has the right to execute additional one-time orders. Part of the profit above the plan goes to the intra-production account of the firm or element, opened in the bank for khozraschet operations of the production association.

Only the soviet of the labor collective disposes of the monies and funds in the transaction account of the structural element, which guards the labor collective against unjustified interference by the higher levels of economic management in their operational and financial activity.

A most important component of intra-production khozraschet of the association is the normative-limiting principle by which the wage fund of each element is formed. Direct dependence of the wages of the workers on the end production results is ensured by setting for each element plan indices, on the achievement of which the labor collective can exert real influence. Fulfillment of these indices guarantees the element monies, by checks, in the amounts of the plan wage fund of the element. Crediting of the wage to each worker takes place according to the coefficient of labor participation, with consideration for personal contribution to the end result of labor. Granting the structural elements the authority independently to establish direct intra-production ties

on a contractual basis, in combination with payment of wages according to the quantity of machine units produced and approved by OTK [department of technical control], created the conditions for the manifestation of creative initiative on the part of each worker, raised the effectiveness of the use of fixed capital, and strengthened the link between science and production.

[Illarionov] How is khozraschet linked with self-management of the labor collectives?

[Gladkiy] I would like to answer briefly. The contract is characterized, first of all, by the development of workers' self-management. It is based on a system of soviets of labor collectives at all levels of production management. Positive experience of STK [self-management of labor collectives] working in close coordination with party and trade union committees, and the administration, has been acquired at AvtoVAZ, the Leningrad Motor Vehicle Transport Enterprise No 71, the Chelyabinsk Tractor Factory, and many other collectives. STKs concentrate the attention of labor collectives most of all on key questions of solving economic and social tasks, strengthening labor discipline, and ensuring the rhythmic work of each element. Nevertheless, many soviets are still not ready to implement fully their rights, defined by the USSR Law on the State Enterprise (Association). Here as well the trade union committees must take an active position. It is necessary to render needed assistance, and organize training of people. USSR Goskomtrud [State Committee for Labor and Social Problems], along with VTsSPS [All-Union Central Council of Trade Unions], has generalized the practice of the work of many STKs, in order to assist them most fully implement their rights. But, this is insufficient. It is necessary to use other forms of work. It is necessary to ensure that the STKs receive real levers of influence on the production process, the economic life of the enterprises, the solving of social issues, and the creation of conditions for true self-management in the collective.

[Illarionov] Ivan Ivanovich, you have already noted the need for restructuring the system of wages and labor incentives. Could you discuss this question in more detail?

[Gladkiy] The essence of the new approaches to the organization of wages is that now the wage fund of the contract collective is formed from two sources—according to the norm for the actually produced product, and from part of the material incentive fund, placed at the disposal of the element. The soviet of the labor collective distributes it among the sectors, brigades and departments, with the coefficient of labor contribution applied, the amount of which depends on the level of fulfillment of the plan indices established for each element. The wage fund is formed in a similar way in the brigade, department or sector. In the Grodno Textile and Thread Production Association, this system was further developed. Whereas previously here the brigade distributed that which it received from the shop, now it, as well as

the shop, forms its own wage fund independently according to the norms, in direct dependence on the amount of income, and not according to rates, as is the case in the majority of other enterprises. In this way, not only the quantity and quality of the product is taken into account, but also the recoverability of all expenses for its production.

[Illarionov] What changes have taken place in the organization of payment of the labor of managers, specialists and employees?

[Gladkiy] In order to include this category of employees in the system of intra-production khozraschet relations, the pay of the specialists in the association is now determined taking into account the actual level of use of production resources by the element in which the given employee is located. If there is a worsening in the results of economic activity, both the line managers, as well as the specialists, who are combined into khozraschet functional elements, bear direct material responsibility. Thus, the pay of each employee—from director to worker—is linked not with a system of indices and conditions, but with the end results of the activity of the element, and the enterprise as a whole. In this is found the guarantee that leveling in payment for labor will be overcome. Now all employees of the association are included in a single system of intra-production khozraschet relations. As a result, the worker and the shop manager, the foreman and the industrial engineer are actively included in the search for production reserves. Only in this way will we solve the main task—returning an active position in life to the working man.

[Illarionov] What is the role of the trade unions in restructuring intra-production khozraschet?

[Gladkiy] As I already stated, the new economic methods have not yet become an organic part of the internal life of the majority of labor collectives. In large part this is due to the wait and see attitude of managers toward the new approaches, and by the attempt to limit themselves to formalistic execution of the instructions of higher organs, not involving the labor collective in this work. In this situation, the trade union committees must play an active role in propagandizing and introducing the new management methods. It is their duty to become true conduits of the new principles and methods right in the labor collective, and to mobilize the creative activity of the workers for restructuring the entire system of intra-production relations.

The effectiveness of any economic transformations depends, first of all, on how they will be comprehended and perceived by the labor collectives. In this regard, questions of cadre training and education are moving to the forefront of the work of trade union committees to extend the economic reform to the enterprises. An important role in this is allotted to the economic universal education organized in the enterprises and organizations, at the initiative of the VTsSPS. In those places

where a non-formalistic approach has been taken to carrying it out, it has been of substantial assistance in preparation for introduction of intra-production khozraschet. As is shown by the experiences of such enterprises as the Tbilisi NPO [scientific production association] Analitpribor, the Kalush Khlorvinil, and others, the organization here of economic universal education is enabling each worker not only to understand the essence of full economic accountability, but also to gain a sense of his own role and place in these transformations, and become an economist at his work site.

[Illarionov] Ivan Ivanovich, how does intra-factory khozraschet contribute to solving social and economic problems?

[Gladkiy] These problems are interrelated. The better the collective works, the greater its khozraschet income, and, consequently, the wider the opportunities for realizing the social development plan. First of all, contract collectives strive to improve working conditions. The shops are put into good order, new ventilation and transport systems are placed in operation, and effective small mechanized equipment is used. Today in many enterprises there are saunas, rest and relaxation rooms, and red corners. They have modern public accommodations, ordering departments and tea rooms have been opened, etc. There are numerous such examples in enterprises in Moscow, Leningrad, Kiev, Riga, Kharkov, and Novosibirsk.

And here is what makes me happy. The results of working in the new way are not only having a positive effect on the activity of enterprises in the large cities; they are also tangible in many local areas. Here is a vivid example. The use of contracting in Sutorminsk Directorate of Drilling Works No 1, USSR Minneftprom [Ministry of the Petroleum Industry] increased output here by 44 percent. In turn, this was reflected in the economic indices, and enabled the collective actively to realize its social program. Some 500,000 rubles have already been allocated for building residential housing. A 24-apartment house has been placed in operation, and construction of 20 houses for two or three families each, and a 120-place kindergarten, is being completed. In the past, they could not even dream about such a scale. Such experience must be supported and spread everywhere.

[Illarionov] You mentioned one important question, about dissemination of leading experience. What is being done today in this direction, and how can this work be developed further?

[Gladkiy] Large scale tasks require coordinated actions on the part of party, soviet and economic organs. The Committee is structuring its work in accordance with these circumstances. Thus, jointly with the USSR Council of Ministers Buro for Machine Building, in Zaporozhye a seminar has been conducted with managers of enterprises of the machine building complex. A program

for the dissemination of contracting management methods in the economy has been defined according to the results of its work, taking into account the opinion of the workers in the enterprises, and the specific nature of the branches.

The ministries and departments are structuring similar work according to their plans. For example, the active position of USSR Minchermet [Ministry of Ferrous Metallurgy] is making it possible already next year to disseminate the experience of the work of the Lebedin Mining and Concentration Combine to almost 40 percent of all enterprises in the branch. USSR Minkhimprom [Ministry of the Chemical Industry] is orienting a large portion of its enterprises toward using the experience of the activity of the Tasma Production Association in Kazan, the Khlorvinil Production Association in Kalush, etc.

Only the start of much work has taken place. On the whole, the forms of propaganda and persuasion on the need for application of contracting methods of management by enterprises are still not being used sufficiently. These questions, especially for industrial branches, are still not being well brought to light by the means of mass propaganda. And our academic science has also not turned to solving the specific problems of enterprises. Work is very late to develop in a number of ministries, such as USSR Minstankoprom [Ministry of the Machine Tool and Tool Building Industry], USSR Minkhim mash [Ministry of Chemical and Petroleum Machine Building], and USSR Minstroydormash [Ministry of Construction, Road, and Municipal Machine Building].

The diversity of types of production, and the differing degree of series production of the product list of products being produced, are having a significant influence on the specific forms of structuring intra-factory khozraschet in enterprises. Here as well they cannot get by with general principles and declarations. Specific branch experience, and a system for its dissemination and introduction, are needed. This is now a main task of the branch ministry and centers of labor organization. It is advisable to organize the study of such experience in the best enterprises, in the branch skill enhancement institutes, and in special schools and seminars, and to involve branch science in this more actively.

[Illarionov] What other forms of organization of the work of studying and dissemination of leading experience seem promising?

[Gladkiy] In disseminating experience, we are today stressing increasing the role of territorial organs—those of the krais, oblasts, and autonomous republics. USSR Goskomtrud is carrying out its work jointly with the economic departments of a number of party obkoms and kraykoms, and ispolkoms of soviets of peoples deputies. In this, the experience of Moscow Oblast, Krasnodar Kray, and a number of others, is instructive. In Krasnodar Kray a khozraschet firm has been organized, and

enterprises where collective and lease contracting are being used have been identified and studied. All the other enterprises of this region cannot only familiarize themselves with their experience, but also obtain specific recommendations and developments. In Moscow Oblast several dozen base enterprises for specific development of experience have been defined, and more than 80 small management consultant khozraschet firms and cooperatives have been created. We are talking about creating a network of entirely new formations, called upon, through contracts with enterprises, to accelerate substantially the process of restructuring intra-production khozraschet, on the basis of comprehensive approaches.

Today there are no obstacles to the creation of such buros and firms. They can be organized virtually everywhere: at ministries and departments, in union and autonomous republics, and importantly, right in state enterprises and associations themselves.

[Illarionov] What are the prospects for development of the new management methods?

[Gladkiy] The economic reform directs the creative potential of the labor collectives to seeking ever more effective forms of organizing intra-production khozraschet. In the immediate future the second models of khozraschet and lease contracting are to become the core of economic and social policy in the state enterprise. The organizational foundation for their introduction in leading enterprises of a number of branches has already been created. These are developed khozraschet relations at all levels of production. Their further improvement on the basis of lease contracting will make it possible to form the unified economic interests of each primary labor collective, and individual workers, in the end result of their labor, reinforced by a proprietary attitude toward the means of production. As the experience of the Armavir Production Association Vesoizmeritel, the Bunkovskiy Experimental Ceramics Products Factory, and a number of others has shown, lease contracting creates the most favorable conditions for developing the initiative and independence of the labor collectives, and removes limitations on intra-production activity. Thus, restructuring the system of intra-production relations is creating the prerequisites for transition of the enterprises to a second model of economic accountability.

[Illarionov] Today one frequently hears the opinion of a number of scientific and practical workers, that the practice of introducing new forms and methods of management is surpassing their legal and methodological support. What is the position of USSR Goskomtrud on these issues?

[Gladkiy] USSR Goskomtrud, and the other central economic organs, see their task to be the creation of preferable organizational and economic conditions for enterprises that are shifting to the second model of economic accountability and lease contracting. For these enterprises, the organization of wages should be brought

into accord with the economic mechanism of this model. It is already clear at this time that it is necessary to remove all limitations in the amounts of supplementary payments, additional charges, and bonuses, having granted complete authority to the soviets of the labor collectives, the administration, and the trade union committees of the enterprises, which themselves develop and apply flexible material incentive systems within the framework of the wage fund, which remains at the disposal of the enterprises. Under the new management conditions, the role of the tariff system is changing. From an instrument of rigid adjustment of the amounts of wages of each worker, it is being transformed into the basis for distribution of the wage fund according to the labor contribution to the end results. In combination with a flexible super-wage rate part, centrally established wage rates and position salaries will ensure an objective differentiation in pay among workers of differing qualifications, as well as become the foundation for subsequent promotion of employees.

Jointly with VTsSPS, we are studying the leading experience in the introduction of collective and family contracting in construction, industry, transport, and agriculture. Practical measures are planned for assisting the enterprises, ministries and departments, and economic organs. USSR Goskomtrud has created a new normative-methodological base, which includes recommendations for the use of collective contracting at the level of enterprises, and its major organizational structures (shops, productions, sectors, etc.), according to the use of lease contracting, within the framework of the state enterprise, and the use of various forms of family contracting. Now it is up to the enterprise. The labor collectives and their trade union committees, and the organs for labor, must solve the tasks of restructuring intra-production khozraschet quickly, in order to enter the 13th Five-Year Plan with a developed and settled mechanism of intra-factory khozraschet, enriched by practical experience.

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### Correlation Between Productivity, Wages Analyzed

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[Article by A. Deripasov, candidate of economic sciences, and A. Semenov, candidate of economic sciences, under the rubric "Economic Review": "Analysis of the Correlation of Labor Productivity and Wages in the National Economy"]

[Text] The results of the economy for 1988 revealed an alarming trend: the rate of growth of the average wages of workers and employees in the national economy as a whole and in the majority of sectors of material production exceeded the the rate of increase in labor productivity (Table 1), and monetary income in 9 months increased by 9.1 percent and reached the level planned for the end of the 5-year plan.

Table 1. (January-September 1988, in percent)

	Labor Productivity	Average Wage	Increase in Average Wage for 1 Percent Increase in Labor Productivity
For industry as a whole	105.0	107.2	1.44
Including by complexes:			
—Fuel and Energy	103.8	108.2	2.16
—Metallurgical	105.6	108.1	1.45
—Chemical and Forestry	106.4	108.2	1.28
—Machine Building	107.6	106.1	0.80
—Agroindustrial	103.9	106.3	1.62
USSR Ministry of Light Industry	107.2	108.5	1.18
USSR Ministry of the Construction Materials Industry	107.5	107.9	1.05
Construction	107.8	108.7	1.12
Railway Transport	105.3	110.1	1.91

In the first 2 years of the 12th Five-Year Plan, the increase in labor productivity outpaced the increase in wages, and the rate of growth of the latter was relatively low. The change in this correlation in 1988 was caused by a combination of factors related to large-scale changes in the economic mechanism and, in particular, to the maladjustment of its individual elements.

In 1988, more than 40 million workers and employees of production sectors of the national economy began to be paid for their labor at new wage rates and salaries. They increased an average of 20-30 percent. Limits on the size of bonuses and supplementary payments to workers, specialists, and employees for combining professions and positions have been removed; increased supplementary payments for multishift work have been introduced; and so forth. During the preparatory period before the wage reform (1986-1987), a comprehensive savings of wages was accomplished, and funds for increasing them were accumulated. This was helped by the system of standardized formation of the wage fund, used for the first time on the scale of an entire production sphere, which calls for retaining it for the enterprises and organizations regardless of the actual expenditure, as well as accumulating its savings in the material incentive fund. According to our estimates, by the end of 1987, more than 1 billion rubles were accumulated for this purpose at enterprises which were preparing to introduce the new wage conditions. On account of this factor, the average wage in production sectors increased by almost 1 percent.

One of the reasons for the accelerated increase in the average wage in 1988 was the fact that, compared to plan estimates, heavy industry sectors (petroleum, gas, and coal) developed faster than anticipated. They have higher standards of wage fund formation. In addition, these sectors used wage fund formation standards increased 1.5-fold and increased material incentive fund formation



standards for additional output of products. For example, for every ton of petroleum produced above the plan, an enterprise additionally has the right to increase pay by 2.5 rubles from the wage fund and by 10 rubles from the material incentive fund. As a result, in 9 months of 1988 (taking into account the implementation of measures to introduce the new wage rates and position salaries), average wages in the petroleum industry increased from 320 rubles per month to 374, that is, by 16.8 percent, with a 1.4 percent increase in labor productivity.

At the same time, production volume in sectors with relatively low average wages and high planned rates of labor productivity growth (light industry, food industry, and individual machine building sectors) increased more slowly than plan estimates. These structural changes in the development of industry sectors also contributed to the accelerated increase in average wages.

**Payment according to work increased rather substantially in 1988 owing to the material incentive fund.** In 9 months, payments from this source in industry increased by more than 16 percent compared with the preceding period. They increased particularly significantly in light industry—by 33 percent, mainly due to profit received as a result of a sharp increase in the share of goods for which temporary markups to retail prices were established.

Accumulations of the material incentive fund are also increasing very rapidly at enterprises and in organizations in all sectors of the national economy. Whereas in 1980 its surpluses increased an average of 1.0 billion rubles per year, in 1987 they increased by more than 4.0 billion rubles. This amount is comparable with its annual expenditure. This process also continued in 1988.

**The main cause of the unjustified increase in payments from the wage fund was the use of expense indicators essentially for forming the fund.** In the majority of ministries of the processing industry, this fund is determined based on production volume calculated according to commodity or standard net production. These indicators can be increased by structural changes and by increasing the share of products having a greater wage and profit ratio in the wholesale price. In these cases, the rate of growth of standard net output outpaces the rate of increase of the production volume in real indicators. As an analysis shows, in the 1980's, enterprises very often ensured an increase in the wage fund namely by increasing product prices or by structural changes. According to the most modest estimates, about 50 percent of its increase was ensured through these factors between 1980 and 1987, and an even more substantial portion in 1988. With the widespread use of lease contract, these tendencies obviously will intensify. Already the initial experience of lease collectives, including the Butovskiy Construction Materials Combine (where production of unprofitable brick was replaced with highly profitable water glass [sodium silicate], shows that, to a considerable extent, the increase in their efficiency indicators involves "playing" with the output structure.

Labor productivity, calculated according to net output (gross income), also largely depends on the level of prices and structural changes. However, an unquestionable merit of this indicator is that it is essentially the only indicator that makes it possible to take into account the savings of both living labor and past labor. And this is extremely important when using the second form of cost-accounting [khozraschet] and lease contract. Therefore, in our opinion, all sectors should switch to calculating labor productivity according to net output (but taking into account price index changes), including in it the surcharges (discounts) received for changing product quality.

### **The Role of Standardized Correlations**

The insufficiently close connection between wages and results of labor and the imbalance between the population's incomes and expenditures were the reason for introducing additional monitoring of spending funds for wages by standardizing the correlations between the increase in the average wage and labor productivity. At first, this method began to be used in the majority of the industry's sectors in 1984; later it spread to other production sectors of the national economy. The need to introduce it resulted from the shortcomings of the economic mechanism, which does not ensure observance of the necessary ratios between production and consumption; therefore, this measure should be viewed as a forced anti-inflation measure.

The numerical value of the standardized correlations established for sectors and enterprises somewhat exceeds the standard of the wage fund increase. For example, the latter is set at 0.3 for the majority of machine building sectors, while the standardized correlation between the increase in labor productivity and the average wage is 0.5. This difference, to a certain degree, motivated enterprises to increase the rate of growth of labor productivity, since this provided an opportunity to increase payments from the material incentive fund without violating the standard. Say, with an additional increase of 1 percent in volumes of production and labor productivity, payments from the wage fund can increase by 0.3 percent, but payments from the material incentive fund can increase by 1-1.5 percent.

The standard of correlations has a clearly expressed limiting nature; it should prevent an excessive wage increase. However, it is precisely this circumstance that prompts enterprises to use every opportunity, even not backed up by real results, to increase wages to the established limit. Otherwise, they will not have sufficient conditions in the future for the wages to increase. In addition, standardizing correlations lowers the enterprises' concern for improving their work, since additional funds earned by the collective cannot materialize in the form of wages.



The so-called calculated average wage was used in establishing the increase correlation. This was done to eliminate the effect on wage dynamics of payments associated with saving resources, introducing achievements of scientific and technical progress, and improving product quality. Experience has shown that **using this indicator reduces the effectiveness of monitoring observance standardized correlations** and often nullifies it. Methodologically, this task proved to be impossible, since in forming a single fund for payment according to labor, enterprises are able to treat certain payments, particularly bonuses, as not counted as part of the calculated wage. As a result, the increase in wages actually paid can surpass the increase in labor productivity, even if the established standardized correlation is observed.

**The effectiveness of standardizing the correlations is adversely affected by the fact that the procedure for calculating the correlations changes each year, and each time different elements are included in the wages being counted.** Enterprises use such methods instability to increase the initial base values.

The actual correlation between average wage and labor productivity increases depends to a considerable extent on the change in personnel strength. Given the same planned increase in the volume of production and an unchanged wage fund, an absolute decrease in personnel strength results in a significant increase in the average wage; as a result, the correlation gets worse. And vice versa, with an absolute increase in personnel strength, the average wage decreases, and the correlation improves. In most cases, the correlation changes exactly the same with a relative increase or decrease in personnel strength. Thus, establishing this correlation limits incentive for increasing labor productivity.

It was envisioned to reserve part of an enterprise's material incentive fund as a sanction for violating the standardized correlation established for an enterprise according to the work results for the year. However, this measure proved to be ineffective and was often conditional, since the surpluses of this fund (counting the temporary reserving of part of it) were sufficient to increase payments further.

In addition to the above-mentioned reasons for the worsening of the correlation between the increase in wages and labor productivity, it is also affected by factors associated with particular features of the development of the economy at a given stage.

#### **National Economic Proportions and the Correlation Between the Increase in Wages and Labor Productivity**

A most important condition for expanded reproduction is the correspondence of the level of consumption to the level of economic development and, in particular, the level of effective demand and commodity supply. The more the gap between supply and demand of consumer

goods increased, the more critical and pressing the problem of maintaining specific correlations between the increase in labor productivity and wages became.

Some economists associate the sharp intensification of commodity imbalance with the introduction of the first model of cost-accounting and the lifting of the system for forming the wage fund "ceiling"—the average wage times the number of workers. This is not the case at all. An analysis shows that even with this system in effect, approximately every 6-8 years the rate of increase of wages suddenly sharply exceeded the rate of increase of labor productivity. For example, this correlation for industry as a whole was 1.44 in 1965; 1.42 in 1976; and 1.62 in 1982. Periodic violation of the proportions focused attention on the problem of balance, but they tried to resolve it primarily by using administrative restrictions. In 1965, a standard for material incentive fund formation was established. In 1968, a statute was introduced according to which the average wage was not to exceed the increase in labor productivity. In 1979, a standard was established for forming the fixed wage fund. In 1984, industry switched to standardizing the correlation (in 1987, it was introduced in construction and transportation). But up to the present time, these measures have not yielded any positive results.

Figuratively speaking, any artificial limits and "ceilings" collapse, and economic necessity inevitably forces its way through them. This is primarily to the effect that **wages in any sector and at any enterprise are not an economic indicator connected only with the increase in efficiency of a given production.** Their level and dynamics are influenced both by a rise in retail prices, that is, real wages, and by the level of wages at various enterprises and in sectors. The magnitude of the latter differs significantly even at enterprises of similar sectors. For example, at machine building and metal working plants in Moscow, it differs by a factor of almost 1.5 (Table 2). This inevitably leads to a shifting of the work force and an increase in wages, not directly associated with an increase in labor efficiency.

**Table 2.**  
Average Monthly Wage in 1987  
(rubles)

Plants	Industrial Production Personnel	Including Workers
Krasnyy Proletariy [Red Proletarian] Machine Tool Plant	281	291
Grinder Plant	207	208
Serp i Molot [Hammer and Sickle] Metallurgical Plant	239	241
Manometer Instrument Building Plant	240	239
ZIL [Moscow Motor Vehicle Plant imeni Likhachev]	225	218
Dinamo Electrotechnical Plant	211	214
1st Watch Plant	236	228
2nd Watch Plant	208	204

**The unjustified increase in monetary incomes is greatly affected by the annually increasing inflation trends,** which in turn involve an increase in the state budget deficit. Administrative "reins," in the form of a standardized correlation, used to contain wage increases, from time to time do not hold up, and wages increase spasmodically, which even further intensifies the imbalance between the money supply and commodity supply.

In essence, there is a similar problem in the sphere of production, where a huge gap has formed between enterprises' and organizations' effective for means of production and the possibilities of satisfying it. To solve this problem, a system of funding was created, that is, an actual chart system of distribution.

The balance between supply and demand depends on a number of factors, above all, on the correlation between the proportion of the consumption and accumulation fund in national income, the development of the first and second subdivisions of social production, and the rate of growth of production of sectors in group "A" and "B." What sense is there to have an outpacing rate of increase in labor productivity if a product no one needs is being produced, or expensive but ineffective projects and programs are being sold? The out-of-date structure of our industry with an excessively high proportion of raw material sectors and the outpacing rate of growth of labor productivity, which in the end intensifies the imbalance, also exacerbate the problem of balancing supply and demand. **Thus, the problem of the correlation of the rate of increase of labor productivity and its payments can be radically resolved only by regulating the basic proportions of socialist reproduction. Therefore, it is necessary to develop initial and fundamental measures to optimize these most important national economic proportions.** Above all, they must ensure outpacing rates of growth of sectors of the second subdivision of social production. In addition, it is necessary to create a mechanism for "quick response" of production to consumer demands, and also conditions in which those proportions which are necessary for the national economy as a whole would be advantageous for the producers.

The current approach to planned regulation of the correlation between labor productivity and wages—apportioning this indicator from the level of the national economy to the level of sectors and enterprises—is to a considerable extent a tribute to traditional thinking. **It can be used, but only as an interim measure.** A standard established for a specific sector must not be substantiated by anything other than a trend that has taken shape in a retrospective view, and that trend, in turn, often has little to do with the sector's efficiency. It is even more difficult to objectively determine this correlation at the enterprise level, for even within one sector it cannot be the same for all enterprises; after all, there are various factors of labor productivity growth at each enterprise. If an increase in labor productivity is achieved without additional capital expenditures, that is, it is more to the

credit of the workers of an enterprise, the correlation must be sufficiently high. But if the increase in labor productivity is the result of putting new equipment into operation, the correlation should not be high, since the improvement in work results is associated with an increase in the capital-labor ratio. However, it should be taken into account that, during technical re-equipment, measures are simultaneously carried out to improve the organization of production and labor, that is, it is necessary to determine what factors resulted in an increase in labor productivity. It is difficult to make these calculations even at an enterprise, not to mention a ministry which establishes the corresponding standard for the enterprise.

Despite the fact that it is extremely difficult to establish a substantiated standard, it is necessary to regulate payments from the wage fund. At the same time, it is becoming increasingly obvious that we should look for new approaches to regulating this correlation, ones that are based on economic methods, for this problem cannot be resolved by using a strictly administrative measure. What must be done in the near future?

#### Our Proposals

In 1989, it is planned to increase the role of standardized correlations in the economic mechanism. It is envisioned to resume quarterly calculation of them. Full payments according to the makeup of wages will be used when calculating the increase of average wages. These measures should be considered purely administrative; they are a reaction to the accelerated growth of wages in 1988. Therefore, it is necessary, first of all, to determine possible methods approaches to implementing this measure which would make it possible to give it a more economically substantiated direction and, secondly, propose alternative regulating variants to it.

One good thing about regulating the correlations based on a comparison of the full average wages of industrial-production personnel and labor productivity, calculated in traditional indicators, **is its continuity,** both in the nature and size of the standards. But in doing so, enterprises and organizations which have a high wage level and which reorganized and introduced new wage rates during the preceding period will end up in a better position. Enterprises that have not had time to do this and have only accumulated the necessary funds (these are mainly enterprises that are weaker economically) will have great economic and social difficulties upon introduction of the quarterly adjustment of the correlation.

Using gross indicators (commodity, standard net output, and so forth) to calculate labor productivity will also reduce the economic validity of the correlations. In addition to earlier existing contradictions between the indicators of social labor productivity and labor productivity calculated on the basis of cost indicators, they will add to them additional ones, **associated primarily with the development of the cooperative movement and lease.** It

will be advantageous for enterprises using the first model of cost accounting to transfer part of their functions to cooperatives. Some enterprises, particularly in light industry, can form cooperatives on their own base and sell to them at state prices semifinished products of their own production; after minor additional processing, the cooperatives can sell the products at cooperative prices, sharing the income with the founding enterprise. In doing this, the enterprise's personnel strength is usually reduced, while the wage fund (since it is calculated according to the gross indicator) remains unchanged and can be used to increase the wages of the remaining workers **without regard for the increase in labor productivity, even if production costs increase and profit decreases.** The standardized correlations do not come into play in this case, since labor productivity will formally increase at an accelerated pace.

In this regard, we should particularly emphasize that the lack of efficient financial monitoring of incomes in the cooperative and progressive taxation can contribute to a substantial increase in payments of unearned money not only to those in the cooperative, but also to workers of state enterprises. If this process intensifies, it will lead to a greater aggravation of the commodity deficit.

From the economic standpoint, the development of cooperatives at enterprises is generally positive. In our opinion, their creation can help expand production specialization. However, it is important to guide this process into an economically sound channel. This can be achieved primarily by spreading the second model of cost accounting and by expanding lease relations. For those enterprises that will use the first cost-accounting model, it is necessary to switch immediately to calculating labor productivity and the standardized correlation on the basis of gross income (net output), since the effectiveness of relations with cooperatives does not affect its size. It can be said with complete confidence that, **when using gross expense indicators, establishing standardized correlations will not solve the problem of closely linking wages and labor productivity.**

Individual economists propose, instead of estimating the correlations on the basis of comparing increases, switching to regulation of the proportions by comparing the rate of growth of labor productivity and of average wages. This would eliminate the distorting effect of personnel reductions on the indicator's dynamics. Numerically, this indicator is a value close to 1, say, 0.978, but its economic content is a decrease in wage-intensiveness of the products being produced. However, it has a significant shortcoming; its use requires determining in the future the increase in production volume for individual product types, that is, a return to administrative planning methods used earlier.

At the current stage, taking into account the inflation trends of reform, of course, we will not be able to avoid additional limits on the growth of wages. However, in our opinion, it is advisable to give the appropriate

measures exclusively the nature of a tax. We should direct our efforts not at looking for a solution to methodological problems, but at developing an economic mechanism of regulation and sanctions on violators of the proportions.

Before switching to full-scale tax regulation of the level and rate of growth of wages, we can propose as an interim measure the preservation of existing correlations between the increase in labor productivity and average wage, calculated on the basis of gross income and full average wage, respectively. But in doing so, enterprises should be granted the right to "redeem" an accelerated, compared to the standard, increase in wages, that is, transfer a portion of the funds to the budget (corresponding to the difference between the actual and established standards). If the increase in wages outpaces the increase in labor productivity, the tax can be doubled.

Regulating the wages and incomes of collectives using a system of progressive taxation of the wage fund (payments according to labor) or their increases and also of individual earnings is the most promising. We should develop corresponding tax scales in order, on the one hand, not to lessen the interest of enterprises and workers in increasing efficiency and, on the other, to prevent unjustified differentiation of incomes. In any event, however, regardless of the measures taken to regulate incomes, they will not be effective enough if parallel measures are not taken to expand considerably the production of consumer goods and services and to satisfy fully consumer demand.

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#### Interaction Between Cooperatives, Savings Banks Observed

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[Article by N.D. Ryabov, chief of the USSR Zhilsotsbank administration for credits to and financing of cooperative and individual labor activity, and I.S. Petrovicheva, department chief: "The Development of Cooperatives and the Bank"]

[Text] In keeping with decisions of the party and the government, measures are being consistently implemented to develop cooperative and individual labor activity in our country. As one form of socialist economic management, the cooperative movement is the most important social form for manifestation of the creative activity of the workers and for drawing them into direct management of the economic and social processes within the country. Besides this, it is not easy for the large state enterprises, which comprise the foundation of our economy, to adapt constantly to the varied and rapidly changing demands of the population. The

cooperatives are able to reorganize themselves on a timely basis to take into account the needs of the national economy and the demands of the population.

Passage of the USSR law "On Cooperation in the USSR," which defines the economic, social, organizational and legal conditions for the activity of cooperatives, has been a new, important step and incentive in the development of cooperative activity.

Passage of the law has energized work on the creation of new cooperatives and has had a positive effect on the activities of existing enterprises. The greatest development has been of cooperatives for provision of everyday services to the population, production of consumer goods, and public catering. They are also being actively established in other spheres of activity: procurement and processing of secondary raw materials, trade, trade and purchasing, agriculture. As of 1 October 1988, about 70,000 cooperatives were registered within the country, including more than 50,000 active ones. With their development, the volume of goods, work and services produced by us has grown. During the first 9 months of 1988, the country's cooperatives sold products and services and performed work to the amount of about 1.5 billion rubles. In accordance with the law, cooperatives have the right to engage in any kinds of activity with the exception of those forbidden by the laws of the USSR and the union republics. They have been given extensive rights in planning, price formation, the utilization of financial resources and distribution of gross earnings.

The activity of the cooperatives is defined by financial and production plans (or estimates of receipts and expenditures), which are based on contracts concluded with the customers for their products (work, services) and the suppliers of their material and technical resources. These plans are compiled and approved by the cooperatives independently. They have been given the right to sell the products and goods they produce themselves, to perform work and provide services for prices and tariffs established in accordance with agreements with consumers or independently.

A complex of financial sources has also been established, which the cooperatives use for production and social development, including receipts from the sale of products (work, services), amortization deductions, share and other payments by individual and collective members of the collective, other enterprises and organizations, people working in the cooperative on a labor contract, and also bank credits and funds received from the sale of securities (stocks). These resources are used by cooperatives at their own discretion and without limitations, irrespective of the sources for their formation.

The law "On Cooperation in the USSR" also defines the relationships of cooperatives with the state, the special characteristics of individual types of cooperatives, and the conditions of their participation in foreign economic activity.

Banking institutions continue to extend great assistance to the cooperative movement in its organization and development. As of 1 December 1988, these enterprises had been extended short term credits to a total amount of 580.6 million rubles and long-term ones amounting to 395.7 million rubles. The cooperative has the right to independently choose a bank for carrying out credit and settlement operations and can open within banking institutions accounts for financial operations both in places where the cooperative, its branches and representatives are located and also at places where its products (work, services) are sold.

In accordance with the system in effect, clearing accounts for cooperatives are opened in one of the bank institutions in the place where they are located under balance account No 461, "Cooperatives for the production of consumer goods, provision of services, and other types of activity." If, in the rayon where the cooperative is located, there is only one specialized banking institution, then the clearing account is opened in this institution. When opening a settlement account for a cooperative, the chief bookkeeper of the banking institution makes a notation on a true copy of the cooperative's charter that a clearing account has been established, indicating the number of the account, and authenticates this with an imprint of the bank's seal.

At the discretion of the cooperatives, they may open subordinate settlement accounts or current accounts at the place where products are sold and services performed in order to receive payments and pay for goods and services, and also in order to make payments for other operations. These accounts are opened upon presentation by the cooperative of an application to open an account with a designation of those persons who have been given the right to use the account. Current accounts are opened for cooperatives at the locations of branches and representations.

Accounts will be opened upon presentation of a cooperative's application for the opening of an account which indicates the character of operations to be carried out on the basis of the account and is signed by the director and chief bookkeeper of the cooperative and is authenticated with an impression of its seal.

Current accounts are opened for unions (associations) of cooperatives under bank account No. 466 upon presentation of copies of charters approved by congresses and meetings of delegates (fully-empowered representatives) of the cooperatives.

In the aims of providing the cooperatives with guarantees of independent disposal of their own monetary funds, withdrawals from the account of the cooperative are made only upon its instruction. This stipulation relates to all types of payments.

Payment of demands presented to the cooperatives are made following the procedure of a positive preliminary acceptance [aktsept]. Another means of acceptance may be established at the initiative of the cooperative, and it must advise the banking institution of this in written form.

Cooperatives settle their obligations with enterprises and organizations, and also citizens, by non-cash transfer or in hard cash. In this connection, the bank issues cash to cooperatives from their current accounts in the amounts requested, within the limits of the balance in these accounts.

Mutual economic and production relationships between cooperatives and enterprises and organizations—the customers for their products (work and services) and the suppliers of material and technical resources—take place on the basis of contracts. Experience shows that, when concluding contracts with enterprises and organizations, many cooperatives stipulate the receipt of advances from the ordering customer, to be charged against the future production of products or performance of work and services being ordered. The receipt of advances makes it possible to overcome financial difficulties, particularly in the initial period of their activities.

However, in a number of cases, cooperatives permit advances they receive to be used for other than their designated purposes (for payment of wages, acquisition of material assets for their own needs, etc.). In connection with this, the question arises whether it is expedient for banking institutions to accept assignments from enterprises and organization for the transfer of advances to cooperatives.

For the purpose of ensuring the productive activity of the cooperatives, a large role is assigned to bank credits, which are intended to help consolidate the financial situation of the cooperatives, to stimulate their development and to expand production of consumer goods, products having a technical and production purpose, works and services.

In order to achieve these goals, the sphere for the use of credit has been broadened by existing USSR Gosbank ukases. Credits are provided to cooperatives to meet their overall requirements for funds for purposes of production and investment activity.

Relationships between cooperatives and banking institution are based on the conclusion of credit agreements which define the mutual obligations and responsibility of the parties. All necessary conditions for the provision of credit are defined in these agreements. These agreements should be drawn up by banking institutions on the basis of thorough study of the activity of the cooperative so that, while avoiding petty interference in the work of these enterprises, they ensure that credits are highly

effective, that full use is made of their role as a stimulant, and that conditions are created for successful activity and prompt return of the loan they have received.

The specific content of an agreement and the list of all conditions are determined on the basis of agreement between the banking institution and the cooperative and they are concluded for long or short terms, depending upon the intensity with which the cooperatives make use of the loans.

The overall need of a cooperative for funds for purposes of production and investment activity, being the subject for which credits are provided, is determined on the basis of estimates of the cooperative's earnings and expenditures, broken down on a quarterly basis. The sum determined in this way serves as a basis for establishing a planned amount of short-term and long-term credit.

When examining estimates of earnings and expenditures, it must be kept in view that bank credits may not serve as a source of funds for paying wages to members of the cooperative and to people working in it on the basis of a labor agreement. According to existing regulations, expenditures for this goal must be made by cooperatives using income that remains after all its other obligations have been fulfilled.

For purposes of determining possibilities for issuance and timely repayment of credit, it is recommended that use be made of data from the declarations of the income of the cooperative and persons working in it, which are compiled by this enterprise every quarter. Provision should be made for receipt of this document when, for purposes of the credit agreement, a determination is made of the list of reporting and information which the cooperatives will have to submit to the accrediting bank.

All bank loans are issued, by-passing the cooperative's current account, directly in payment for commodity and material assets, work performed, and services extended.

Within the limits of the total planned amount of credit, cooperatives may be issued loans for the acquisition of limited check books. Goods shipped and work performed are also accepted for provision of credit. Loans for the purpose of current production activity are issued for a period of up to 12 months (up to two years for establishing a basic herd) and they take the form of fixed-term promissory notes [srochnoye obyazatelstvoporucheniye] signed by the director and bookkeeper of the cooperative and authenticated with a seal. These fixed-term promissory notes can be drawn up for each loan issued or, based on agreement with the cooperatives, another system of documenting loans may be established. In this case, each loan issued a cooperative need not be formalized in fixed-term promissory notes. At the expiration of the quarter, but not later than the 10th day of the first month of the following quarter, the



total of loans actually received is formalized by fixed-term promissory notes, with an indication in them of specific repayment deadlines related to the period when necessary monetary funds will be received.

Fixed-term promissory notes are documents, on the basis of which the bank has the right independently to withdraw funds from the cooperative's account without its agreement.

The following are accepted to secure short-term loan indebtedness: paid-for commodity and material assets and production expenses; the unused balance of funds deposited on account in connection with the acquisition on credit of limited check books; goods shipped and works performed on the basis of clearing documents presented for encashment prior to actual receipt of payment into the account of the cooperative, refusal of acceptance by a payer or notification of the reason for nonpayment, but not more than 30 days after the shipment of goods (extension of services) and in the case of payments for works carried out—from the date of signing of the act, with the exception of the cooperative's own funds available (share and entrance fees, funds created by the cooperatives).

Verification of the security of credit is accomplished on the basis of balances for quarterly dates and of reports [svedeniye], and for monthly dates within quarters—on the basis of reports based on bookkeeping accounts. If, in accordance with existing procedures, no balance is compiled, then verification of security for loan indebtedness is accomplished on the basis of reports.

The sphere for the utilization of long-term credits has also been broadened. Such loans are made available to cooperatives for the creation and improvement of fixed production capital, including the acquisition of equipment and transportation facilities, for a period of up to two years from the day that the first loan is issued. In certain cases, the banking institution can extend credit up to four years.

Thus, taking account of the economic effectiveness of the measures being carried out, a long-term credit in the amount of 1.4 million rubles was extended to the Dinamo cooperative in the city of Riga in September 1988 for a period of up to 4 years for the construction of a hotel. The Volkhov cooperative in the city of Novgorod has been given a long-term credit in the amount of 500,000 rubles for the same period of time for the construction of a brick works.

On the basis of long term credits, cooperatives can make expenditures for the construction of production spaces, their reconstruction, expansion, capital repair, and the like. Loans are made to cooperatives and drawn up in the form of fixed-term promissory notes, taking into account the following special circumstance. If an agreement exists with a bank regarding formalization of the entire

sum of the actually received loans as fixed-term obligations, then they are extended for specific periods of repayment 10 days before expiration of the planned period for completing the measures.

In their mutual relationships with cooperatives, banking institutions must appear as active, interested partners who, above all, ensure implementation of an effective credit policy and provide necessary consultative help.

In resolving questions of concluding a credit agreement with a cooperative, determination of the amount of the credit and other questions, a bank frequently experiences a series of difficulties. In these cases, wider use should be made of the right to extend a loan to the enterprise (organization) under the guarantee by which the cooperative or cooperative organ was created.

Article 43 of the USSR law "On Cooperation in the USSR" also stipulates the real [imushchestvenny] responsibility of the members of a cooperative in the spheres of production and services for its obligations. It is established that the members of a cooperative in the spheres of production and services bear responsibility for the debts of the cooperative within the procedures and amounts and under the conditions envisaged by its charter. In connection with this, the charters of cooperatives must define precisely when the responsibility of the members of the cooperative comes into play, to what property and earnings it is applicable, etc.

In instances when such provision is missing from the charters of cooperatives, the banking institution has the right to demand its inclusion. In addition, to ensure prompt repayment of credits extended to cooperatives, it is expedient for banking institutions in a number of cases to stipulate within the credit agreements that the property being acquired on account of the credits be insured.

The extension of necessary consultative assistance to cooperatives has a positive effect on the mutual relationships between the bank and cooperatives. Considering the inadequate qualifications of personnel in many cooperatives, particularly in matters of organizing the conduct of monetary management, credit and reporting relationships, and engineering work, banking institutions must expand this help, extending it on a cost accountable basis. Types of services and the price paid for them, obviously, should be determined on the basis of an agreement between the parties and be set forth in the agreement that is concluded. Earnings are deposited in bank account No 960, "Operational and miscellaneous earnings," under article 70 "Other Earnings."

In the aims of implementing an effective credit policy, of promptly eliminating shortcomings in the provision of credit and clearing services to cooperatives, and of developing and submitting economically justified proposals for improving the work of cooperatives soviet and executive organs in local areas for examination, banking institutions should thoroughly analyze their activity on

the basis of accumulating necessary data. Such data can be materials from state statistical organs, characterizing the results of the activity of cooperatives and bank statistical reporting concerning the state of mutual credit and clearing relationships with these enterprises.

Besides this, in our opinion, it is necessary to accumulate and systematize the following indicators:

- the number of clearing accounts opened by the cooperative, including those for which there has been no movement during the reporting period;
- the number of cooperatives that are indebted for short-term loans;
- the number of cooperatives to which long-term credits have been extended;
- the number of cooperatives which have been liquidated or in the process of being liquidated and, of these, the number of cooperatives which have not promptly settled their accounts with the bank;
- the total amount of nonpayment to the bank by these cooperatives, including nonpayment for short-term credits;
- the number of cooperatives whose cases have been transferred to State Arbitration organs;
- the number of cooperatives for which hopeless indebtedness has been created, its total amount.

Analyzing these data, a banking institution should assess the situation that has developed, turning particular attention to shortcomings and negative phenomena, and, when developing proposals for submission to local soviets and executive organs, should first of all consider that these should be aimed at eliminating these phenomena, and also at the uses of the cooperative movement as forms of socialist economic management for increasing the production of consumer goods, the provision of services to the population, and improving the organization of trade and public catering.

The relatively short experience of working with cooperatives has uncovered a series of phenomena which are having a negative effect on credit and clearing relationships between the bank and the cooperatives.

Frequently one encounters a formalistic approach by the executive committees of local soviets toward the establishment of cooperatives and registration of their charters, and also to the introduction of amendments to the charters of already existing cooperatives. The latter circumstance, in particular, frequently leads to the loss by the cooperative of its sectoral orientation and, in the final account, greatly complicates work of banking institutions related to controlling the purposeful utilization of credits extended to the cooperatives.

Fuller use must also be made of the right given to the bank to apply benefits and sanctions to the cooperatives in accordance with the results of their activity.

The law "On Cooperation in the USSR" stipulates that the cooperatives bear full responsibility for observing credit agreements and settlement discipline. Cooperatives which systematically fail to fulfill their obligations with regard to settlement can be declared insolvent by the bank; the bank also has the right of raising before the local soviet executive committee the question of liquidating an unprofitable and insolvent cooperative. Sanctions may also be applied against cooperatives in cases of neglect of bookkeeping and unreliability of reporting concerning production and earnings. In this case, the bank may cancel the provision of credit and clearing account services to cooperatives.

Practice shows that many banking institutions are not ensuring that economic work with cooperatives is on the necessary level, in which connection serious shortcomings continue to occur in mutual credit and clearing relationships with them.

In a number of cases credit is being extended to cooperatives without sufficient economic justification and consideration of real prospects for its repayment and, as a result, post-due indebtedness on loans is being created in considerable amounts.

The work of banking institutions on supervising observance of cash account discipline by cooperatives requires serious improvement. Almost everywhere these enterprises are violating existing procedures for conducting cash operations, are irregular in making payments into state funds, and are exceeding the maximum amounts of cash that should be kept on hand in their own treasuries.

As practice has shown, development of the cooperative movement is being accompanied by a very rapid increase in the payment of cash funds for various needs. The work of banking institutions to normalize the situation and to attract cash funds into their own safekeeping are being complicated by the fact that, in accordance with the Law on Cooperation, the cooperatives have been given the right to determine themselves the limit of their cash balance. However, of 150 cooperatives surveyed on 1 October 1988 in Moscow Oblast, this limit had been established only at 15.

The utilization of cash funds by cooperatives is also a definite cause of concern. Existing legislation permits the cooperatives to use cash funds without any limitations in their turnover. However, as practice shows, the outlay of large sums of cash to cooperatives in the absence of necessary control on the part of banking institutions introduces a disbalance into fulfillment of the plan for monetary earnings and expenditures and exerts an unfavorable influence on the state of money circulation. In

these conditions, special significance attaches to interesting cooperatives in keeping their cash funds in accounts at banking institutions and to broadening the sphere of non-cash payments.

Many cooperatives necessary for supporting the production process are obtaining raw material and materials on the retail market and from industrial enterprises, which is primarily connected with the absence of a network of specialized trading enterprises and with inadequate organization of material and technical supply. Frequently, enterprises and organizations in the state sector, citing authorization to include the value of raw materials and materials sold for cash within the volume of paid services, are forcing cooperatives to pay only in cash for materials and even for equipment obtained from them.

The influence of cooperatives on cash turnover is great. Thus, during the first 9 months of 1988, the total of payments going into the current accounts of these enterprises from the sale of products and services in Moscow Oblast came to 140.7 million rubles, including 12.4 million rubles, or 8.8 percent, in cash funds deposited in banks, while 55.8 million rubles in goods were sold and services were performed directly to the population. At the same time, cash withdrawn from the accounts during this period came to 72.2 million rubles, which is 5.8-fold more than the amount of money deposited.

Cooperatives which work exclusively on the basis of orders from enterprises and organizations are having a particularly strong negative influence on the state of money circulation. Payment for the services of such cooperatives is accomplished only on a non-cash basis while, in accordance with existing legislation, cash withdrawals from their current accounts takes place without restrictions and in unlimited amounts.

At the present time, the cooperatives prefer to keep their cash funds in institutions of the USSR Savings Bank, inasmuch as the interest rate in institutions of the USSR Zhilsotsbank [expansion not given] and other specialized banks is a great deal lower. At the same time, if they do not surrender their earnings to a bank, the cooperatives in a number of cases are not able to utilize their right to receive cash from the bank because free cash funds are not available.

It seems expedient to raise the indicated interest rate, which will make it easier to attract the earnings of cooperatives.

It is also necessary to broaden the sphere of non-cash transactions for commodity and material assets acquired by the cooperatives. In our opinion, a more expedient form of transactions in these cases would be by means of checks that all enterprises involved in retail and cooperative trade would be obliged to accept.

Solution of these problems should be a definite help in overcoming the negative phenomena that are connected with the activities of the cooperatives.

The state plan for the economic and social development of the USSR for 1989 envisages continued development and improvement of the cooperative movement and that the cooperatives will be oriented toward meeting the demands of the population and overcoming existing shortcomings and negative phenomena. Under these conditions, one of the main tasks of banking institutions is to ensure a necessary level of economic work with the cooperatives.

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### Reactions To Statute On Holding More Than One Job

#### Statute Clarified

18280088a Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 14 Mar 89 p 4

[Article by Editorial Board: "New Statute on Holding More Than One Job"]

[Text] Recently the union Goskomtrud [State Committee for Labor and Social Problems], Ministry of Justice and the AUCCTU approved a statute on the conditions for work involving the holding of two jobs. At the request of the Editorial Board, I. Tarasov, a leading specialist attached to USSR Goskomtrud, offered his comments regarding this document.

[Editorial Board] The holding down of more than one job and the combining of professions. At times, confusion reigns over these two terms. Obviously, a definition should be furnished for each one of them.

[Tarasov] The holding down of more than one job—this occurs when a worker, in addition to his principal work, performs other work on a labor contract basis for which he is paid on a regular basis. The holding down of one job is permitted only during periods of time when the principal work is not being carried out. The combining of professions (positions) is carried out within the framework of a working day.

[Editorial Board] Who may hold down more than one job?

[Tarasov] All manual and office workers (leaders, specialists, workers attached to administrative organs, including ministries and departments, professor-teacher personnel and scientific, medical and other categories of workers).

Minors and pregnant women, in the interest of protecting their health, are forbidden to hold more than one job. It should be borne in mind that the leaders of enterprises, institutes and organizations, jointly with trade union

committees, are authorized to place limitations upon the holding of more than one job by workers attached to certain professions and positions involving special conditions or a special work regime. This occurs when the additional work may have an adverse effect on the health of the workers or upon safe production operations.

[Editorial Board] What is needed for making this official?

[Tarasov] First of all, I would note that work involving the holding of more than one position does not require the consent of the administration or the trade union committee at the principal place of work. A passport need only be presented. However, if the work requires special knowledge, the administration is authorized to request a diploma or other document indicating that the particular type of education or professional training has been obtained.

[Editorial Board] What is the duration of work involving the holding of more than one job?

[Tarasov] An individual can work 4 hours daily, and on weekends he is authorized to work a full working day (shift). In the case of certain types of work, where in accordance with the production conditions the daily duration (4 hours) of working time cannot be observed by those holding down more than one job, the introduction of a summary account for the working time is authorized with the consent of the enterprise's trade union committee. However, in all of these instances the overall duration of the work involving the holding down of more than one job, over the course of a month's time must not exceed one half of the monthly norm for working time established for the corresponding categories of workers.

An exception is permitted only in the case of young medical personnel: the holding down of more than one job is permitted within the limits established for the monthly norm for working time.

And there is still one other aspect. Many families have developed a definite budget with regard to the holding down of more than one job. In view of this fact, work carried out on a temporary basis in connection with the holding down of more than one job and within the limits established for the monthly norm for working time is authorized for those who on 22 September 1988 (the day on which the decree of the USSR Council of Ministers entitled "Work Involving the Holding of More Than One Job" was adopted) were engaged in such work having the same duration of working time. Upon converting over to other work, they are covered by the general rule regarding the duration of work involving the holding of more than one job.

[Editorial Board] Can the work be carried out in several places?

[Tarasov] I believe that the time made available for the holding down of more than one job (one half of the normal working time) is simply not adequate for allowing work to be carried out in several places. Thus the holding down of more than one job is authorized only in one sense—at the place of the principal work or at another enterprise, institute or organization.

Taking into account the specific nature of their work, the rules established earlier for the holding down of more than one job in several areas are retained only for some categories of workers in the non-productive sphere (teachers at schools, professional-technical institutes, technical schools and others, childrens' institutes and institutes for culture, art, public health and social security; leaders of societies, trainers, medical and pharmaceutical workers and others). But the overall duration of the work is the same for all workers—one half of the monthly norm for working time.

[Editorial Board] How is payment made to those who hold down more than one job?

[Tarasov] Wages are paid for the actual work performed. In the case of piece-work wages—for all of the products produced or the volume of work carried out and as a rule based upon the final results. Where the time-rate wage system is involved—at the rate (salary) stipulated for work performed, for the actual time worked within the established limits. In the case of those holding down more than one job who are being paid according to the time-rate wage system and who are carrying out standardized tasks based upon technically sound norms, payment is made in accordance with the final results for the actual volume of work performed.

[Editorial Board] Can bonuses be paid to those holding down more than one job?

[Tarasov] The issuing of bonuses, additional payments and other awards, as called for in the wage conditions, is carried out in the manner established for workers at the particular enterprise (association), institute or organization.

[Editorial Board] Can additional payments for combining jobs (professions) been established for those who hold down more than one job?

[Tarasov] Yes. The leaders of enterprises, by agreement with the trade union committees, are authorized to establish additional payments for the combining of jobs (professions), expanding the zone of services, increasing the volume of work carried out and also for performing, together with one's own work, the duties of those who are temporarily absent.

[Editorial Board] Is vacation time granted?

[Tarasov] For work involving the holding down of more than one job, vacation time is granted simultaneously with the vacation time for the principal work. If, for example, 18 days are granted for the principal work commencing on 1 March, the amount issued for work involving the holding down of more than one job must also be presented commencing 1 March and in accordance with the duration established for this work. If this vacation time is less than that for the principal work, then the party holding down more than one job can request that it be granted in the absence of wages. Paid vacation time is granted to those who hold more than one job and perform work in accordance with their working professions and also to school teachers, instructors at professional-technical schools, technical schools and others, teachers at childrens' institutes and medical and pharmaceutical workers.

[Editorial Board] Are earnings obtained on the basis of holding more than one job included in the average wage?

[Tarasov] Payments for work involving the holding down of more than one job are not taken into account when computing the average wage for the purpose of assigning pensions, allowances for temporary disablement, reimbursement for personal injuries sustained during work operations and others. An exception is established only for teachers at schools, secondary specialized educational institutes and childrens' institutes, who hold down more than one job in their specialties.

[Editorial Board] Is work involving the holding of more than one job recorded in the work notebook?

[Tarasov] If the worker so wishes, an entry is made by the administration at the place where the principal work is carried out. Such entries are based upon the orders accepting for work those who hold down more than one job and also their release from such work.

[Editorial Board] How is the question concerning the holding of more than one job at leading positions being resolved?

[Tarasov] The occupying simultaneously of two leading positions (excluding foremen) is not permitted, with the exception of those instances established by legislation. This applies to the leaders of enterprises, institutes, organizations, branches, departments and other structural subunits and others, and also to deputy leaders.

This limitation does not deprive any leader of the right to work at a rank and file position on the basis of holding down more than one job.

[Editorial Board] What is the system for dismissing those who hold more than one job?

[Tarasov] Such dismissals are carried out on a general basis. In addition, these dismissals can be associated with the hiring of workers who are not holding down

more than one job or with limitations placed upon the holding of more than one job in connection with special conditions or the work regime. When dismissing a worker in accordance with these additional factors, the consent of the trade union committee is not required. No severance pay is authorized when a dismissal is carried out from work involving a combining of professions.

[Editorial Board] Should a worker be warned regarding his discharge from work because of his holding down more than one job?

[Tarasov] This is done in those instances where the law requires an administration to warn a worker regarding his impending dismissal. For example, in connection with a reduction in the number of workers. Here an individual who is holding one or more jobs must be warned 2 months in advance.

No schedule has been established for issuing warnings when carrying out dismissals from combined work of hired workers who are not holding down more than one job or in connection with limitations being placed upon the holding of more than one job.

[Editorial Board] Can the professor-teacher personnel of VUZ's hold down more than one job at other VUZ's?

[Tarasov] They can and in like manner as all other workers. And not only at other VUZ's, but even at their own higher educational institute. The holding down of more than one job is authorized both in teaching work at all educational institutes and in other positions and work places.

The question concerning scientific workers holding down more than one job is also being resolved on a general basis.

[Editorial Board] Is income tax being withheld?

[Tarasov] Earnings obtained at the principal work place by manual and office workers, for the holding down of more than one job, are taxed separately at each place of work.

When a worker holds down more than one job at his own enterprise, the payment for such work is included in his monthly earnings.

[Editorial Board] Can those who hold down more than one job be included in a brigade?

[Tarasov] Not only are they permitted to do so, but experience has even shown that the brigade method is most effective in those areas where production conditions encourage the holding down of more than one job.

[Editorial Board] Under what conditions are hourly wages authorized for teaching work?



[Tarasov] Just as in the past, teaching work carried out on an hourly wage basis and in a volume not to exceed 240 hours annually is not viewed as an additional job and thus can be carried out in addition to work performed on the basis of holding down more than one job. Permission is not required for this, except in those instances where the teaching work is carried out during the work period. At such times, permission must be obtained from the leader and the trade union committee at the principal work place.

### Queries Answered

18280088a Moscow TRUD in Russian 15 Mar 89 p 3

[Article: "Work Carried Out on the Basis of Holding More Than One Job"]

[Text] As is known, on 22 September 1988 the USSR Council of Ministers adopted a decree which regulates the holding of more than one job. In recent months, the Editorial Board has received many letters from readers containing requests to have the use of this new normative document explained to them. Such an opportunity is now at hand—on 9 March the USSR Goskomtrud [State Committee for Labor and Social Problems], the AUCCTU and the USSR Ministry of Justice approved a statute governing the working conditions associated with the holding down of more than one job.

[Question] At the present time, what documents can be requested when an individual appears for a second job?

[Answer] If you intend to work at more than one job at the same enterprise (association, institute or organization) where you perform your principal work, then it is sufficient to merely submit an application to the administration. If applying at another enterprise, it is necessary to present a passport and if the additional work requires special knowledge or a definite skill, then a diploma or a document attesting to special knowledge or professional training received must be presented.

Today there is no need for obtaining the consent of the administration or the trade union committee at the principal place of work. They are authorized to introduce limitations with regard to the holding down of more than one job only for certain professions and positions involving special conditions or work regimes, which could have an adverse effect upon the health of the people or upon production safety. In addition, minors and pregnant women are not permitted to hold down more than one job. At the same time, the possibility of limitations does not raise the demand for information—workers attached to the personnel department must themselves provide explanations for the problems which arise.

[Question] Is it true that all those who hold down more than one job are covered by the rule which holds that the duration of the additional work cannot exceed 4 hours daily or a full working day on weekends?

[Answer] First of all, at those enterprise where owing to the production conditions this norm cannot be observed on a daily basis, the introduction of a summary report on working time is permitted with the consent of the trade union committee. However, its overall duration over the course of a month's time must not exceed one half of the monthly norm for working time, established for the appropriate categories of workers.

Secondly, such conditions can be continued for those workers who on the day the governmental decree was adopted (22 September 1988) were already holding down more than one job within the limits of the monthly norm for working time. But in the event of converting over to other work associated with the holding of more than one job, they will come under the provisions of the general rule.

Thirdly, an exception has been made for young medical personnel (and for doctors—in certain regions where there is a shortage of them—in accordance with special instructions issued by the union republic councils of ministers). Within the limits established for the monthly norm for working time for the appropriate position, the holding down of more than one job is also authorized for them at public health and social security institutions, for cultural workers, in the capacity of leaders of societies (collectives of independent creativity), accompanists and other specialists in cultural-educational and other institutions of the club type.

In addition, highly skilled specialists of the national economy, with the consent of the administration and the trade union committee, can carry out teaching work at VUZ's and educational institutes for the purpose of improving the skills and the retraining of personnel, in keeping with the conditions for holding down more than one job during working time for a period of up to 4 hours weekly, while retaining the wages for their principal position. In a similar manner, workers attached to the Academy of the National Economy of the USSR Council of Ministers and the All-Union Academy of Foreign Trade are authorized to hold down more than one job at higher commercial schools.

[Question] Are there any peculiarities associated with the wages and vacation periods for those who hold more than one job?

[Answer] The wages are issued based upon the actual amount of work carried out. When establishing standardized tasks (based upon technically sound norms) for those holding more than one job and working on the basis of the time-rate wage system, the wages are paid in accordance with the final results for the actual volume of work performed.

The issuing of bonuses to those holding down more than one job and the granting of various additional payments and awards (including a one-time length of service award) are carried out in the manner established for a given enterprise on a general basis.

As a rule, the earnings for those holding down more than one job are not taken into account when computing the average earnings for the principal type of work. In regions of the Far North and their contiguous areas (and also in those regions of the European North where bonuses added on to wages are paid out in the manner and amounts called for in Decree No 255 dated 6 April 1972 of the CC CPSU, the USSR Council of Ministers and the AUCCTU), the benefits for work in these regions are authorized only for the principal work.

The vacation time for one who holds down more than one job must be granted simultaneously with the annual vacation time for his principal work, that is, they must commence on the same day. If the duration of the vacation time for the additional work is less than the other vacation time, the individual can request that he be given a short period of vacation time without wages. Those workers who work on the basis of holding more than one job receive pay for vacation time of an established duration and they receive compensation for such unused vacation time upon dismissal.

[Question] At how many enterprises is it possible to hold down more than one job?

[Answer] Only at one, or at the place of one's principal work, or at another. Moreover, employment is not permitted at two leading positions simultaneously (that is, associated with the administration of collectives—with the exception of a foreman's position), if one has not been established by law.

It bears mentioning that if a worker works at one enterprise on the basis of holding down more than one job internally, then he must be given a second table number, since the computation of working time for those holding down more than one job is carried out in the same manner as for the remaining workers.

[Question] How is income tax withheld from those who hold down more than one job?

[Answer] When he works additionally at his own enterprise, then it is withheld from the overall amount earned there during the month. If at another enterprise, then each portion of earnings is taxed separately.

[Question] In what instances can an administration dismiss an individual who holds down more than one job?

[Answer] The dissolution of a labor contract with him can be carried out only in accordance with the conditions set forth in the legislation and also in two other instances: upon the hiring of a worker to replace him who is not holding down more than one job, or by limiting the ability to hold down more than one job by means of special conditions or the work regime. In the process, the consent of the trade union committee is not needed and a weekend allowance is not paid.

When the law obligates an administration to warn a worker regarding an impending discharge, for example in connection with a reduction in staff, then an individual holding down more than one job should also be informed regarding this matter in a timely manner (in our example—two months in advance).

[Question] Do the new rules for work carried out on the basis of holding more than one job apply to all workers?

[Answer] First of all, the statute includes a list of operations which do not come under the category of "additional jobs." Moreover, some of them, particularly the various types of consultations involving a one-time payment or, for example, work on a contractual basis by leading scientific and practical workers in connection with short-term instruction for personnel at enterprises, are permitted even during working time (with no wages withheld)—with the permission of the administration and trade union committee. This complete list, similar to the statute itself, will be distributed to all of the ministries, departments and sovprofs [trade union councils] and thereafter it will be published in special information bulletins.

Secondly, the new statute generally does not cover certain categories of specialists. This includes individuals who serve as consultants for solving complicated technical problems, the members of scientific and expert councils (committees) and specialists in associations for maintaining business-like collaboration with foreign countries. The former work conditions associated with the holding down of two jobs are retained for them without change, conditions which were established by appropriate governmental decisions.

And finally, the statute itself sets forth a number of exceptions from the general rules for those holding down more than one job among teaching and medical (pharmaceutical) workers, veterinary personnel, trainers and also specialists working in collectives devoted to amateur creativity. We will discuss this subject in one of our next consultations.

### **Citizens React to Laws on Cooperatives**

*18280080 Moscow NEDELYA in Russian*

*No 9, 27 Feb-5 Mar 89 pp 6-7*

[Excerpts from letters to the editors: "Lines from Letters"; first paragraph is NEDELYA introduction; italics as in original text]

[Text] To be sure, no single economic initiative has evoked such intense, such interested attention from our entire population as has the development of cooperative activity. Unfortunately, it has turned out that not everything is as simple and clear as first supposed. And this is natural. Indeed, anything new is always a quest, and this means that mistakes are possible. The cooperative movement also has not avoided them. In giving cooperatives the green light, we all hoped that the market would be

filled with goods and services. However, significant changes have still not taken place here. On the other hand, all kinds of wheelers and dealers have begun to operate under the banner of the cooperatives. Having taken advantage of imperfections in the law, they have set about "making money," taking it out of the pockets of the consumers. This necessarily produced a negative reaction on the part of society. Whether one wishes it or not, a pall has been cast over the entire cooperative movement. A need for its regulation has become obvious. As it turns out, however, we do not always have economic methods for this purpose and we are using administrative pressure as a substitute. The reaction produced by the USSR Council of Ministers decree [postanovleniye] of 29 December 1988 "On Regulation of Cooperation in the USSR" and the ukase of the USSR Supreme Soviet "On Income Tax from Cooperatives," passed on 23 February 1989, has been varied. The editors have received a great deal of mail. We would like to acquaint you with the opinions of several of our readers.

#### Lines from Letters

*The very correct, right and timely decree of the USSR Council of Ministers on limiting the activity of the cooperatives has come under critical attack. It places a barrier in the path of the cooperative speculators, dealers and self-seekers, in the path of those who, without burdening themselves with anything, without helping to improve the living standards of the people, have found an occupation that allows them to line their own pockets with money. Should we let them get rich on our difficulties, while we criticize a correct decision by the government? This way, we may come to the conclusion that the government is not necessary at all—and this will be the case if its decisions and resolutions meet a hostile reception and if their correctness is subjected to doubt!—Vladimir Palishin, Engineer, Moscow*

*With the appearance of video-cooperatives, movie houses have begun to experience great difficulty in meeting their plans. In recent months, viewers have begun to visit us very seldom, because there are no good films. The people are ending up in the cooperative lounges, where they show films that are far removed from the urgent problems of life, from the questions which disturb Soviet people. The Union of Cinematographers must concern itself with the production of good films, and should not criticize the absolutely correct USSR Council of Ministers decree of 29 December 1988.—workers collective of the Yadinskiy motion picture theater (8 signatures), Chuvashskaya ASSR*

*If the state still is not in a position to provide us either with videotape recorders or with programs for them, why deprive the cooperatives of this possibility? Let them have the opportunity to do a good thing; don't slap their hands! Here in Plesetskiy Rayon, films that are "not the most modern" and not of the best quality are being shown in the clubs. And at viewer request the rayon consumer*

*services combine's video-cooperative decided to show artistic films, variety programs, cartoon films, and documentary tapes about rayon news in three villages. And now all this has been prohibited. In the name of my family of five, I demand that action of the degree be suspended, that it be considered a draft, and that it be widely discussed in the press, in labor collectives, and at places of residence.—Nikolay Shpityuk, village of Severoonezhsk, Arkhangelskaya Oblast*

#### "I Am in Favor"

I believe that cooperative general education schools should not be opened and that the USSR Council of Ministers decree is correct in this regard. A congress of education workers recently came to an end after having approved the general guidelines of a concept concerning the general secondary school [srednyaya obshcheobrazovatel'naya shkola], which is to become a state public school for us. The school is the spiritual support of our society, a moral support for the future, and our society is a socialist one.

Cooperative schools, in the first place, can lay waste the state public schools, having taken away from them their best teaching cadres. In the second place, cooperative schools will inevitably become elitist and, in the third place, the creation of such schools will be very, very costly to their private entrepreneurs, and they will need a great deal of financial and material support on the part of the state. Does the state have the right to give out these funds for the construction and material support of cooperative schools as long as any of our schools are in straitened circumstances?

Finally, a word also concerning the professional honesty of teachers. Why should we turn over the school to the cooperatives if all conditions for normal creative work are being created in it today?

I understand that we still have many teachers who need to improve their pedagogical qualifications. I would do whatever possible to support the establishment and spread of author schools [avtorskaya shkola]—this is what we need today, and certainly not cooperative schools.—Shalva Amonashvili, doctor of psychological sciences, full member USSR Academy of Pedagogical Sciences.

#### "I Have Doubts"

For long years already, our people have been frightened by shifts: First you can keep a cow; then you cannot. First you can make hay; then this is forbidden. And, as a result, their trust in a long-term, stable system of mutual relationships between the state and the individual has been undermined. This is why a decision that is made without discussion with specialists and with members of cooperatives, one that is reached arbitrarily, as in the

good old times, this is why this decision causes enormous harm, not so much even to specific persons or to specific cooperatives as to the principle of trust in the state.

I understand that it is necessary to have control over some kinds of unforeseen and uncontrolled problems of private enterprise. It is hazardous to life to entrust brain surgery to a bootblack, and I do not think that you will find a fan of this that would seek one out to go to work on his own head. But if there are professional doctors who in their free time can make use of idle medical equipment, why disturb them? And what is wrong with them improving their material situation in this way? If we do not have healthy competition between people and healthy competition between the cooperatives and the state, we will not go anywhere.

I believe that the same thing also relates to the cooperative schools. They say that the prohibition is explained by a concern about "social equality." Does social equality have to be understood as a situation when nobody has anything? I do not think that the classical socialist thinkers were suggesting general poverty as the crown of their philosophical creative works. Then, people hardly would have followed them. But when conversation turns to schools and, in explanation of the prohibition that has been imposed on the cooperative schools, they tell us with great seriousness that, of course, it is necessary to raise the general level of the school but we also cannot at the same time discriminate against other children in this way, this is demagoguery.

I do not see a necessity for torturing children inclined toward the humanities with algebraic formulas. I was tortured for ten years with exact sciences that have never done me any good in my life. I am not saying that it is necessary to introduce specialization beginning with the first grade, but if there is an opportunity at age 12 or 13 to develop children's proclivities independently, then this is indeed excellent! And these cooperative schools, which have provided a possibility of knowing languages, the history of Greece, philosophy, etc., can only be welcomed. As regards prohibiting the activities of motion picture cooperatives, organized by professionals, then this is one of the most eloquent actions, one of the most eloquent testimonies, of a negative kind, to the lack of a serious attitude or a too serious attitude toward change.—Nikita Mikhalkov, Motion Picture Director

#### "I Don't Understand"

In my opinion, this decree is simply illogical. Why should the cooperatives be forbidden to produce and sell narcotics, weapons and pornographic movie and video productions, if all this is already prosecuted by the law? This is the first thing.

In the second place, from the point of view of the western business world, which continues to take a cautious attitude toward business contacts with the Soviet Union but is very much hoping for an expansion of the private

or cooperative sector, this decree is simply a stab in the back. We cannot proclaim broad opportunities on one hand and introduce new prohibitions on the other.

I am one of those who started serious discussions with the cooperatives with regard to creating joint enterprises or joint motion picture productions and this, of course, necessitated certain financial expenditures. And now it turns out that motion picture and video cooperatives are prohibited. Who is going to reimburse me for these expenses? Nobody. And this means that the caution of the business world in the West concerning contacts with Soviet organizations is justified as long as political conditions have not stabilized. It is precisely such administrative, unjustified and unexpected measures that entrepreneurs fear.

I understand: The authorities want there to be a guarantee that organizations engaged in motion picture and video production have a certain level of qualification. But there are other ways to do this: both competition and differentiation, for example, in issuing licenses to operate.

Throughout the entire world there are spheres of business in which private firms or individuals may engage in, on the basis of licenses, for the receipt of which it is first necessary to demonstrate one's professional competence.

A very good example is the legal field. If you want to be a lawyer, in any country, you must join a corresponding association or bar. Even in the Soviet Union there is a bar. But to become a member of this bar, specific experience is required, applicants pass examinations, and only after this are they able to work privately on the basis of private contracts with their clients. I think that this form is fully applicable in the field of motion picture and video production.—Matti Grunland, motion picture director, representative of the Staylos Korporzishn company.

#### Pluralism of the Law?

As one who participated in developing the draft law on cooperation and as an official of the apparatus which supports the USSR Supreme Soviet Presidium, I consider it necessary to express my point of view.

At first glance, the resolution in question is completely valid legally. In Article 3 of the Law on Cooperation it is stated that the cooperative has the right to engage in any types of activity with the exception of those prohibited by the laws of the USSR and the union republics, while Article 54 of this same law authorizes the USSR Council of Ministers to determine special characteristics of the application of the Law on Cooperation in individual sectors of the national economy and as it applies to individual kinds of cooperatives.

But the law itself contains a contradiction, one to which nobody initially paid any attention (I hope that this was not done intentionally!) and which has led to misunderstandings that are capable, it seems to me, of undermining the entire idea of developing cooperatives in our country.

In accordance with articles 31 and 3 of the USSR Law on the USSR Council of Ministers, decrees and regulations [rasporyazheniye] of the government are not classified as legislation, but are normative and planning sub-legal acts by means of which "unswerving observance of the USSR Constitution, the laws of the USSR, and other decisions of the USSR Supreme Soviet and its Presidium" is ensured. It can be said that, as applied to Article 3 of the Law on Cooperation, a list of prohibited types of activity by cooperatives can be established only by laws (ukase) of the USSR and (or) the union republics.

In past years, many laws have suffered from the referenced norms. As a result, a law detailed in sub-legal and, even more so, in departmental acts, accumulating them, like polyps in the bottoms of ships, has been distorted in its initial sense to the point of being unrecognizable, changing over in this way from a defense of nationwide interests to a defense of the interests of departments. In this, there is a serious danger of pluralism of the law in sub-legal acts. And foreseeing it, the June (1987) Plenum of the CPSU Central Committee reached the conclusion that it is necessary that laws act directly, without intermediaries.

How expedient, and also how valid legally, is it to issue a sub-legal, albeit a governmental, act forbidding certain types of activity by cooperatives?

At the ninth USSR Supreme Soviet session of the 11th convocation (26 May 1988), a proposal was introduced to insert a list of prohibited types of activity by cooperatives into the draft Law on Cooperation. The USSR Supreme Soviet commissioned the government to approve such a list. Let us stress this, to approve—and only this.

Now, if we compare this assignment with the government's decree, we will see that it has been "over-fulfilled." Along with a list of forbidden types of activities, the decree also establishes types of activities by cooperatives which are permissible if a contract exists with an appropriate enterprise and under its control. It is not difficult to see that the assignment from the law-maker and the corresponding norm of the law are broadened within the sub-legal act and expand, in the expression of V.I. Lenin, a "hole" in the law.

Control—this is interference by the controller in the internal activity of the controlled. And this is also a direct violation of the Law on Cooperation, Article 109 of which interdicts, under threat of economic responsibility, any form of interference in the economic and

other activity of a cooperative on the part of governmental and cooperative organs (unions, associations, cooperatives). Only the law-maker himself has the right to approve such an amendment to the Law, one which seriously infringes upon the right of the cooperative to "independence of collective economic management and independence in reaching decisions with regard to fulfilling its statutory tasks."

The governmental act comes into conflict also with Article 15 of the Law on Cooperation. This stipulates that the activity of a cooperative can be halted on the decision of a general meeting of the cooperative and also "at the decision of the executive committee of the Council of Peoples Deputies in cases of unprofitability and insolvency and in a case when a cooperative, despite an issued warning, repeatedly or crudely violates the law." No other grounds for halting the activity of a cooperative are envisaged by this law! Thus, the "hole" in the Law on cooperation, which encourages free and easy treatment of it, even on the level of the Ministry of Justice, as witnessed by this decree, grows wider and wider and is transformed into a chasm. If it is necessary to add a list of reasons to halt the activity of cooperatives then, so far, only the law-maker has a right to do this, inasmuch as this falls within the exclusive competence of the USSR Supreme Soviet and its Presidium.

Now let us look at how the 23 February 1989 ukase of the USSR Supreme Soviet Presidium "On Income Tax from Cooperatives" agrees with the Law on Cooperation. Unfortunately, variant readings are also to be seen here. In point 4 of Article 1 of the law, cooperative enterprises (organizations), but not their unions (associations) are defined as being cooperatives. In the ukase, unions are also included among the cooperatives. Behind this small point lies a serious content, which subjects one and the same cooperative incomes to double taxation. First, a tax is taken from the income of each cooperative, including deductions for maintenance of the union, and tax is again taken from the accounts of the union.

Doubts also arise with regard to the following point: Point 2 of Paragraph 21 of the Law on Cooperation speaks of guaranteed stable taxation rates, established for not less than five years. But there is no mention at all of such guarantees in the ukase. Naturally, this is necessarily worrisome to the cooperatives.

On the whole, a disturbing conclusion suggests itself—that pluralism of the Law on Cooperation is being extended within sub-legal acts without sufficient juridical foundation for this. In this phenomenon, I believe, there lies a real threat to the principles of the cooperative movement in the USSR and a threat that the competence of the law-maker is being replaced by the competencies of the state administrative organs that come under his control.



I believe that we need to introduce changes to Article 54 of the Law on Cooperation so that, in the future, special conditions of the application of this law in individual sectors of the national economy and with respect to individual cooperatives will be determined only by the laws of the USSR and the union republics. And, in order that the cooperatives receive a legal guarantee against encroachments by departments, it is necessary to amend the Law on Cooperation with an article which regulates a system of compensating damages caused to cooperatives as a result of their illegal liquidation.—V. Kozlov, candidate of juridical sciences, consultant of the juridical department of the USSR Supreme Soviet Presidium.

### Finance Ministry Officials Defend Co-op Tax Decree

#### Collegium Member

18280075 Moscow SOVETSKAYA ROSSIYA in Russian 25 Feb 89 p 3

[Interview with Yuriy Mikhaylovich Zemskov, USSR Ministry of Finance Collegium member, by Ye. Khokhlov, SOVETSKAYA ROSSIYA correspondent; date and place not given; first paragraph is SOVETSKAYA ROSSIYA introduction]

[Text] The press has published the USSR Supreme Soviet Presidium ukase entitled "On an Income Tax for Cooperatives." What place does it occupy in the system of measures that regulate the economic and financial position of cooperatives? Yu. M. Zemskov, chief of the combined state income and tax department and member of the USSR Ministry of Finance Collegium, talks about this at the request of a SOVETSKAYA ROSSIYA correspondent:

[Khokhlov] Yuriy Mikhaylovich, what has caused the need for this state regulating document?

[Zemskov] The cooperative movement is gathering strength quickly. Last year, the number of operating cooperatives increased from 14,000 to 78,000, and they produced products and provided services worth more than six billion rubles. Approximately one and a half million people are working in them. It is natural that the considerable incomes being received here—2.6 billion rubles were given out for wages alone during the year—should be taxed.

We have had the following norms until now. During the first year of a cooperative's existence, two-three percent of its gross income was collected from it for the budget; during the second year—three-five percent; and subsequently—10 percent. These rates are in effect throughout the country today. However, of course, they impact differently on the work of cooperatives and regulate their incomes to different degrees since conditions are far from identical. The new ukase stipulates that union republic legislation will determine the size of the tax rates—based on the need to expand the cooperative

movement in every way possible and considering local and national peculiarities, the competition of cooperatives with state enterprises and the carrying out of an effective tax policy.

Thus, whereas previously there was a single tax, now there is a differentiated approach. It must depend on the type of cooperative, the purposes of its activity, its role in satisfying the population's needs, supply and sales conditions, product quality, prices for its products, the level of the cooperative members' income and wages, etc. All of this is not visible from the center. They must decide on the spot what amount of tax to stipulate.

[Khokhlov] Will it not turn out that this very large decisionmaking freedom will lead to bureaucratic tyranny? Until now, cooperative members have known a common tax—an exact percent. Now they will begin to depend on the ispolkom's position and some director's sympathies. He, who treats the cooperative correctly, will provide a preferential rate. In another case, it will be necessary to pay the full measure.

[Zemskov] Cooperatives participate in forming local budget incomes. Any ispolkom is therefore interested in their expansion and the growth of their incomes. If a cooperative is capable of providing more services and producing more goods for the population, then, of course, it should be granted preferential conditions. Union republic legislative bodies determine the criteria. Local soviet ispolkoms can, as the ukase points out, reduce the rates or completely free individual cooperatives from the tax for a certain period. Instances of preferences in receiving privileges have been stipulated. For example, cooperatives, which work with local and secondary raw material, engage in the production and processing of their own agricultural products, master the output of new high quality products—as a rule, this is connected with increasing production costs—and enjoy them.

There should be no problems. Basically, sufficiently competent specialists, who have a good command of the questions concerning the procedure for determining income, work in the local bodies. I think that they will establish tax rates objectively and in strict compliance with the ukase propositions, considering actual conditions and requirements. On our part, we are developing the appropriate recommendations, and they will be relayed to the republics soon.

[Khokhlov] Yuriy Mikhaylovich, today, some enterprises are adopting the first cost accounting models; others—the second. Many collectives are working under a lease contract, and even more cooperatives. Income amounts differ greatly—not because of work results but depending on the management form. It is no accident that economists, directors and workers all speak about the need to put production collectives under economically equal conditions. Does the ukase on taxation come close to this goal?

[Zemskov] I will cite estimates. Payments into the budget are 72 kopecks for one ruble of wages in the state sector and 3.4 kopecks in the cooperative one. A state enterprise contributes 40 percent of its income to the budget; a cooperative—three. Naturally, excess income and excess wages arise under these unequal conditions. The average monthly wage of a worker and employee is now 217 rubles. Cooperative members have a completely different level: 500, 600, 1000.... This inequality evokes unhealthy—and even simply negative—attitudes toward cooperatives on the part of the factory worker in the public sector. It stimulates the outflow of qualified personnel to cooperatives in search of high wages. Attempts to turn highly profitable state enterprises “into cooperatives” in order to reduce payments into the budget and raise wages, are known.

Today, one is fully justified in posing the question as follows: Why should only state enterprise workers carry the tax burden? Cooperative members enjoy social benefits equally with others and, like everyone else, receive benefits and payments from public consumption funds. The conditions for supplying cooperatives with raw materials and material, in principle, for the same prices as for state enterprises are now being determined. Wholesale trade in the means of production is being introduced. Naturally, tax relationships should be aligned: Cooperatives must be placed under the same conditions as state enterprises.

In this regard, the new ukase will introduce substantial changes. Today, a cooperative's income is usually distributed in the following manner: 3 percent to the budget; 10 percent to social and production expansion; and 87 percent to wages. When taxation conditions are equalized, the wage percentage will, of course, not be as large as now. The gap between factory and cooperative workers' wages will be reduced.

[Khokhlov] The cooperatives will probably want to be compensated for the loss in wages. Will the tax increase not lead to an increase in the prices for the services and products that they produce?

[Zemskov] This cannot be ruled out. It may occur in certain cases. However, prices are not formed at the will of the producer but depend on supply and demand. They cannot grow endlessly. Moreover, the recent decree on prices provides an opportunity to resort to protective measures in the interest of the consumer. It is directly written there that soviet ispolkoms and price formation agencies have the right to regulate and control the level of prices.

[Khokhlov] The control of income will be more complicated. At the start of the discussion, you, Yuriy Mikhaylovich, said that the country has 78,000 operating cooperatives. Their number will grow rapidly in the future. What kind of staff of financial experts is required to keep an eye on all of them and to calculate everything? An army would not be enough.

[Zemskov] Tax inspectorates were established last year. However, in connection with the rapid expansion of the cooperative movement, it is necessary to raise the question of how to train the personnel. It is a difficult task and requires special skills. We are now continuing to staff this service and train its workers. At the same time, it is necessary to train cooperative chairmen and bookkeepers on how to manage their finances correctly and how to calculate and declare their income. We are directing our lower financial agencies toward this.

The majority of cooperatives are calculating their income correctly. However, there are cases where they intentionally hide them. The responsibility for correctness in the calculation and the timely payment of taxes has now been sharply raised. In the event income is understated or concealed, a cooperative will pay double the amount of the concealed income. If it conceals, let us say, 10,000, it will pay 20,000 to the local budget. If there is a second attempt to conceal income, the activity of the cooperative can be halted. This severe measure predestines their accurate observance of financial obligations to the state.

In conclusion, it is necessary to mention that the ukase on taxing cooperative income corresponds to the principles laid down in the law “On Cooperatives in the USSR.” The decision to transfer taxation questions to the competency of the union republics will contribute to the development of optimum criteria in evaluating the work of cooperatives. This will truly permit the cooperative movement's expansion and prevent opportunities for transforming it into a channel of uncontrolled personal enrichment and a source of abuses.

#### First Deputy Minister

18280075 Moscow IZVESTIYA in Russian  
26 Feb 89 Morning Edition p 3

[Interview with Vladimir Georgiyevich Panskov, USSR first deputy minister of finance, by A. Protsenko; date and place not given; first paragraph is IZVESTIYA introduction]

[Text] V. G. Panskov, USSR first deputy minister of finance, comments on the USSR Supreme Soviet Presidium ukase entitled “On an Income Tax for Cooperatives.”

[Protsenko] Vladimir Georgiyevich, the first question will not be on the ukase itself but on its preparation. As is known, the Ministry of Finance was the main developer of the draft. I would like to know the names of the main authors—the director of the group and his closest assistants. Also, with whom did the developers consult?

[Panskov] It was a work in which—besides specialists from our ministry—the economic department of the USSR Council of Ministers Administration of Affairs and workers from the staff of the USSR Supreme Soviet Presidium and, of course, the CPSU Central Committee

participated. The initial document actually appeared in our ministry. I myself headed the working group. The more active workers were M. V. Shpilko, A. L. Zaytsev, V. V. Snyatkov, and V. I. Slom. We consulted with well known scientist-economists. In the USSR Academy of Sciences Economics Institute—with L. I. Abalkin; in the USSR Academy of Sciences World Economics and International Relations Institute—with V. A. Martynov; and in the USSR Academy of Sciences State and Law Institute—with S. S. Zankovskiy. Academician A. G. Aganbegyan and academician S. A. Sitaryan, USSR Gosplan first deputy chairman, also worked actively on the draft. In addition, the draft was coordinated with the AUCCTU, Ministry of Justice, State Committee for Labor and Social Problems, and State Committee for Statistics and received the approval of all union republic councils of ministers.

[Protsenko] Thank you for such a detailed reply. I hope that this good example will become infectious for the ministries and departments that are working on the drafts of other laws. People should know to whom we are obliged for this or that innovation.

Now to the essence of the ukase itself. Everyone awaited it—some with fear and some with impatience. They feared too high tax rates that would paralyze the cooperative movement and too low ones that would permit cooperative members to have high incomes which were not justified by their work. The ukase has no figures. Everything has been transferred to the discretion of the union republics. Why?

[Panskov] First, it is not necessary and it is impossible to direct everything and everyone from the center. The people on the spot have a better knowledge of their cooperative members and their needs and capabilities. A wise tax policy should, as a result, be the main regulator for the expansion of any sector in the economy. Moreover, as is known, taxes from cooperatives are transferred to the local budgets and not to the union one. This means the level of the tax rate should depend on local authorities.

[Protsenko] Each territory can establish any rate?

[Panskov] Our ministry is now preparing methodological recommendations which, incidentally, do not have a directive nature. However, the principle of taxing cooperatives is established in the ukase itself: The sizes of the rates must be determined based on the requirement to "establish conditions for the economic competition of cooperatives with state enterprises."

As is known, cooperative members today pay practically an insignificant tax: two-three percent; and only during the third year of operation—10 percent. There is no differentiation for the types of cooperatives: The manufacturers of, let us assume, prosthetic appliances for

invalids are assessed the same tax as doctors offices; the consumer goods producers are taxed equally with cooperatives working as middlemen.

The miserly tax rates were not established by accident. It was necessary for this work, which was new in our country, to be born, grow up a little and become strong. Honestly speaking, we hoped that the cooperative members would use these sparing conditions to expand their material base and form and acquire fixed capital for the subsequent expansion of commodity production and services. This, alas, did not occur: The overwhelming number of cooperatives directed the major part of the income they received—up to 75-85 percent—to wages. The state enterprises were immediately placed in a clearly disadvantageous position in comparison with the cooperatives.

Judge for yourselves. The country's light industry enterprises transferred up to 70 percent of their profit—plus the ministry collected a fair amount of it for their own funds—to the state budget. Local industry enterprises transferred up to 45 percent of their profit to the budget; machine builders paid as much. For the national economy in general, allocations to the state budget are 52-53 percent of the profit of all our industry.

Since the adoption of the law "On Cooperatives in the USSR", all revenues for local budgets from cooperatives have been 40 million rubles for the country as a whole—a miserly amount, approximately one percent of the income of all the country's cooperatives. As a result, even there where cooperatives produce significantly fewer goods or provide fewer services than state enterprises equivalent to them, the cooperative members or those, who work in them under labor agreements, received threefold-fivefold more than state enterprise workers. The principles of social justice were violated and a cross-flow of personnel occurred. What competition?!

[Protsenko] Will a tax, which is equal to the deductions of similar state enterprises, now be established for cooperatives?

[Panskov] Not quite. That same Article 2 of the ukase says that the sizes of the rates should be established depending on the income level of cooperatives, the actuality in satisfying the population's needs, material and technical supply conditions, etc. My personal opinion is that the tax, as a rule, can be stipulated within the boundaries of up to 40 percent of a cooperative's income. Perhaps, for some types of cooperatives that use not so much their own talents as the serious economic situation in the country and that have excess profits because of a scarcity, a tax can be stipulated on the excess income. However, I repeat, no directive instructions are being received in the local areas.

[Protsenko] Will it not turn out that the absence of directive instructions will play a negative role this time? Somewhere in the local areas they will simply quietly smother cooperative members with high taxes in the struggle for the "purity of the idea." As is known, public opinion everywhere is not in favor of cooperatives.

[Panskov] Incidentally, certain of the mass information media, which have too quickly switched over from unrestrained praise of the cooperative movement to a "denouncing" tune, are guilty of this. It's as if some publications are specially tuning the population against cooperatives: They say that almost everyone in them is a cheat and that their large incomes have a criminal or profiteering nature.

Now, about the "quiet smothering." In principle, it is not excluded. However, not the staff but the deputies in their sessions will make the decisions concerning the tax rates. Of course, the ispolkom can formulate a decision in advance, but with its subsequent mandatory approval during a session. Let the deputies think how they should act. If they establish too preferential conditions for the cooperatives, they will give birth to "unjust" millionaires and fail to receive taxes for the social and economic development of their region. If they establish an unnecessarily severe taxing policy, the territory will be deprived of cooperative goods and services and taxes for the budget.

Consider that now the preparations for the territory's shift to cost accounting and self-financing is now taking place—soon the appropriate document will be submitted for a general discussion. It grants large rights to local authorities, but a very enormous responsibility also falls to the local soviets—the responsibility for their fellow citizens' standard of living. The taxing of cooperatives will become the touchstone on which it will be possible to easily check who is able to manage—and not command—in the region.

[Protsenko] Cooperative members themselves have asked me to raise several questions. The list of untaxed cooperative expenses mentions "and others"—connected with the production and sale of products. Does this concept include the expenses for expanding production and acquiring fixed capital? The cooperative members have also asked that they not pay taxes on expenditures for the social organization of the territory—to some extent, their "patronage help" to their villages, rayons, and cities.

[Panskov] No, all expenditures are subject to taxes. You see, state enterprises first settle accounts with the budget and then set down in their accounts the funds for expanding production and find assets for providing patronage help. Why should a cooperative have privileges?

Nevertheless, if a local soviet should decide that the accelerated expansion of some cooperative or other is in the interests of the territory, it can stipulate preferential

taxes for it for some period of time. There is another way: A cooperative, wishing to expand over a long time and in a stable manner, can write in its regulations the mandatory percent of its annual deductions for development. For the local soviet, this note can become the basis for reducing the tax rate—even up to the complete amount of the sum going to expand production. The same thing can be done with expenditures for the territory's social organization—introduce them into the regulations.

[Protsenko] Another question: the ukase does not point out the timeframes for which the sizes of the tax rates are established. The cooperative members want stability....

[Panskov] Generally speaking, we have proceeded from the fact that the rates should be reviewed no more frequently than once in five years. However, we did not begin to put down a definite time frame. Other countries do not have such time frames. When necessary, the government suggests to parliament an increase or reduction in taxes for some type of business or other. The parliament looks to see if the recommendation is justified and decides. As a result, either the tax or the government is changed. Our soviets must also decide these questions in each individual case. However, they must decide and not thoughtlessly vote for any proposal from the staff. It is natural that, in my opinion, a tax change before the end of the financial year is not permissible.

[Protsenko] Will the prices for raw materials and finished products be considered when determining taxes?

[Panskov] Without fail! Article 2 of the ukase provides for this. In practice, it can look like this: Increasing and decreasing coefficients can be determined for each type of activity, except the size of the main tax. If a cooperative purchases raw material for contract prices, it will pay a tax with a decreasing coefficient. If a cooperative sells its products at prices exceeding the state ones, the tax will have an increasing coefficient. However, I will repeat once again—this is one of the variants. Prices should be taken into consideration during the establishment of the tax, but the manner should be decided at the local area.

[Protsenko] Many readers have not been able to understand Article 10 of the ukase.

[Panskov] Last year when the ukase on taxation was adopted, changes were simultaneously introduced into the old 1979 ukase that only concerned consumer cooperatives and public organizations. These changes are now being removed and the 1979 ukase is being returned to its original condition. It does not concern the "new cooperatives."

[Protsenko] And the last question. The ukase says nothing about taxing the personal income of cooperative members. As is known, a progressive tax on personal income evoked stormy protests a year ago. What now?

[Panskov] Nothing. There will be no separate tax. Since cooperatives are aligned in opportunities with state enterprises, the taxes should be identical both for state enterprise workers and for cooperative members. There is another item—the entire system of personal taxes on citizens in our country now needs to be changed. We are preparing these proposals. We are thinking about introducing progressive elements into it, but at a level of income that does not “threaten” the overwhelming majority of our country’s citizens. Moreover, since the new taxing procedure will concern all of us in some way or other, I think that the draft of this law will be submitted in advance to a general discussion.

**Wage Inequality for Women in Industry Studied**  
18280086 Moscow IZVESTIYA AKADEMII NAUK  
SSSR: SERIYA EKONOMICHESKAYA in Russian  
No 1, Jan-Feb 89 pp 97-105

[Article by V. N. Golodnenko: “On the Question of Female Labor at Industrial Enterprises”]

[Text] *The article investigates reasons for the disparity between average pay levels of male and female piece-rate workers based on a study conducted at 45 Moscow Oblast industrial enterprises. Basic attention is devoted to analyzing differences in working conditions and labor inputs.*

*A proposal is made concerning the necessity of considering differentiated output norms for women, taking the fatigue factor into account.*

In recent years, newspapers and journals have more and more frequently raised the question of the *de facto* inequality of women and men in the labor sphere, and in particular in the level of monetary remuneration of male and female workers. Judging by data cited in the periodical press, the average pay of women is 15-50 percent lower than that of men [1].

According to a survey of 45 Moscow Oblast industrial enterprises by the Scientific Research Institute of Labor in 1986 (that covered 3082 persons), the average monthly pay of male piece-rate workers was 184.3 rubles compared with 156.5 rubles for female piece-rate workers; for male time-rate workers—164.8 rubles; for female time-rate workers—123.2 rubles.

We attempted to examine the reasons for such a significant difference in the pay levels of (1829) male and female piece-rate workers.

As the cited data indicate, the average monthly monetary remuneration of women in this group was 15.1 percent lower than that of the men. Among time-rate workers, the disparity in the pay levels of the investigated categories was still greater—41.6 rubles or 25.2 percent.<sup>1</sup>

**Table 1: Distribution of Male and Female Piece-Rate Workers at Moscow Oblast Enterprises According to Level of Pay**

Nationalities	Pay (in rubles)									Total
	under 80	81-100	101-120	121-150	151-180	181-210	211-240	241-280	280 or higher	
Males:										
—persons	57	19	33	127	289	267	138	127	36	1090
—percent	5.2	1.7	3.0	11.6	26.5	24.5	12.7	11.6	3.2	100
Females:										
—persons	42	32	63	198	196	116	55	30	7	739
—percent	5.7	4.3	8.5	26.8	26.6	15.7	7.4	4.1	0.9	100

The data in Table 1 show that the difference in the levels of average pay of piece-rate workers is the result of the uneven character of distribution of male and female workers according to levels of pay. The pay of approximately one-fourth of the men and the women (26.6 percent) as well is within the same interval: 151-180 rubles. Lower pay is received by 45.3 percent of the women and 21.5 percent of the men while correspondingly higher pay is received by 52.0 percent of the men and 28.1 percent of the women.

What is the explanation for such a disparity in the distribution of male and female workers according to the

level of their pay? How and why does this distribution and consequently the difference in the remuneration of the labor of these groups originate?

In order to answer these questions, let us attempt to examine the pay mechanism.

In most general form, the amount of monetary remuneration received by a worker is determined by two factors: labor inputs (considering the quantity and quality of labor) and normative pay for labor. The fact that the real labor inputs of a specific worker frequently do not coincide with their calculated values on the basis of



which the worker is paid changes nothing in the procedure for determining the monetary remuneration of the worker.

**Table 2: Distribution of Branches of Industry According to the Share of Women Among Industrial Production Personnel**

Branch of Industry	Average monthly pay (in rubles)	Share of women among industrial production personnel (in percent)
Fish	342	28.7
Coal (mines)	342	14.3
Nonferrous metallurgy	299	32.1
Oil extracting	296	31.9
Ferrous metallurgy	237	32.0
Construction	237	17.2
Lumbering	234	18.2
Pulp-Paper	217	43.9
Machine building and metalworking	214	41.3
Electric power	210	26.4
Wood processing	206	41.9
Construction materials industry	205	32.5
Chemical and petrochemical	204	49.3
Oil refining	204	40.4
Leather	188	56.7
Glass and porcelain	188	52.4
Shale refining	186	51.5
Textile	178	68.4
Meat	178	53.9
Printing	175	64.3
Light industry	168	81.0
Sewing	150	89.6

The correlation in the pay of various groups of workers depends in large measure on the pay norm that is established as the labor norm. Thus the remuneration of an hour of labor by a piece-rate worker is 6-7 percent higher than the remuneration of an hour of labor by a time-rate worker with the same skill level. In labor legislation there is no official differentiation of rates depending on sex, nationality, etc. However, in reality there may be such differentiation as a result of indirect factors.

If we rank branches of industry according to the level of average pay, we see a definite trend toward change in the share of women employed in those branches depending on the level of remuneration of pay (Table 2). The lower the pay in a branch, the higher is the share of women in the industrial production personnel of the branch. Naturally, it would be premature to conclude that the pay

norm is lower in branches with a predominantly female work force. The disparity in the levels of average pay of workers in different branches first of all reflects differences in working conditions and labor inputs, in the quality of labor, in its significance to the national economy, etc. However the labor of fishermen, miners, workers in the oil extracting industry, etc., takes place under complex natural-climatic and production conditions that frequently require heavy physical exertion and that should be more highly paid. But it is difficult to believe that working conditions in the leather, textile, and light industry, i. e., in branches where female labor predominates to one degree or another are much better than the national average. If we assume that average pay in branches of industry reflects average branch labor inputs, it must be admitted that the labor remuneration norm in light industry is 25 percent lower than the average remuneration norm throughout the national economy as a whole ( $210:168=1.25$ ), i.e., working conditions and the significance of labor in this area must be much better and higher than average in industry.

It is possible that this is how it is but we still do not have sufficiently reliable methods for measuring labor inputs of different quality and do not have scientifically substantiated methods for determining the correct proportions in the remuneration of an hour (day, month) of labor of workers in various branches of industry and the national economy. Under these conditions, a breach in the correlation of the remuneration of the labor of "significant" and "less significant" branches is entirely probable. And since branches with a predominantly female work force come under the heading of "less significant" branches, there may also be more breaches with respect to this category.

It should be emphasized that we are only discussing a lower evaluation of the quality of labor in branches with a high share of women even though in a number of jobs, this principle is advanced in more categorical form (at least in respect to light industry) (see [2]). It seems to us that without the elaboration of quite a reliable mechanism for evaluating labor of different quality, it is impossible to obtain an unequivocal answer to this question. And therefore, until such a mechanism is created, the existence of specific female and male types of activity will create the possibility that the principle "equal pay for equal labor" will be violated already in the formative stage of wage fund.

The violation of the correlation in the remuneration of different types of labor may occur not only at the branch level but also at the enterprise level. As we know, not all jobs are equally profitable to the worker since many of them offer higher or lower remuneration for the same amount of time. By distributing "profitable" and "unprofitable" jobs, line managers are able to influence the size of the earnings of a specific worker as well as of individual groups. And even though, as the previously mentioned survey by the Scientific Research Institute of

Labor shows, the administration quite widely uses this lever to influence the labor, the given factor has virtually no impact on differences in the level of pay of the two investigated categories—men and women.

Indeed as it follows from the data in Table 3, discrepancies between the group of men and women in the evaluation of the reasons behind the incongruity of their monetary remuneration and their labor inputs are negligible (do not exceed 2-3 points).

**Table 3: Distribution of Workers' Answers to the Question of the Reasons for the Disparity Between Their Labor Inputs and Their Pay**

	Number answering the question in the affirmative; in percent of the number of respondents	
	Men	Women
What do you regard as the reason for the disparity between your labor inputs and the level of its remuneration?		
The volume and quantity of work performed by me are not correctly taken into account	14.0	12.5
The wage rate for my job is too low	26.5	28.3
My pay does not take into account a number of jobs that I have to perform in addition to my basic job	29.7	28.9
The output, service norms, etc., are too high	4.0	5.3
The actual conditions under which the work process takes place are not considered	25.8	25.0

**Table 4: Distribution of Workers' Answers to the Question of Why Their Work Was Not Justly Rewarded**

	Number answering the question in the affirmative; in percent of the number of respondents	
	Men	Women
What do you regard as the reason why your labor is not justly rewarded?		
My occupation is not as well paid as others	12.9	14.3
I am paid less than other workers with my skill level	7.6	4.4
I am paid less than other workers doing the same job	6.0	6.2
The wage grade to which I am assigned does not correspond to my skill level	6.0	9.4
I am performing work at a lower skill level than I am capable of	11.3	5.0
I am given incorrect work assignments	5.7	5.0
My working conditions are worse than those of other workers	4.7	5.6

Men and women are close in their evaluation of the reasons why their labor is not justly rewarded (Table 4).

The cited evaluations confirm the previously expressed premise that at the enterprise level the violation of the principle of equal pay for equal work is possible only with respect to individual workers. No discrimination against women as a social group as a result of this factor was found.

Thus the principle of "equal pay for equal work" as regards working women can only be violated due to the incorrect determination of the pay norm for the work norm as a result of the incorrect correlation in the level of average pay in branches with predominantly "female" or "male" types of work.<sup>2</sup>

Analysis of differences in labor inputs provides more substantive results. As already stated, labor inputs are

determined by the quantity and quality of labor, which reflect the complexity of labor, its significance, a worker's skill level, etc. The quantity of labor in most general form is determined by the duration of the work performed and by the level of its intensiveness.

Differences in the quality of the labor of the investigated groups can be evaluated in several ways. First, through differences in the workers' skill level on the assumption that the level of work performed by both men and women basically corresponds to the worker's wage grade or exceeds it to an equal degree.

As follows from the data in Table 5, the skill level of individual workers in the investigated groups fluctuates within a wide range: from wage grade 1 to wage grade 6.

However the majority of women (67.6 percent) work at jobs in wages grade 3 and 4, i. e., jobs of medium difficulty while the majority of men (61 percent)

perform jobs in wage grades 4 and 5, i. e., jobs of medium and high difficulty. On the whole, the average wage grade of men is 4.3; of women—3.8.

**Table 5: Distribution of Workers According to Skill Level**

Workers	Wage grades						Total
	1	2	3	4	5	6	
<b>Males</b>							
—persons:	36	56	104	335	266	186	979
—percent	3.7	5.7	10.6	33.8	27.2	19.0	100
<b>Females</b>							
—persons:	10	49	241	225	125	39	689
—percent	1.5	7.1	35.0	32.6	18.2	5.6	100

**Table 6: Distribution of Workers According to Level of Complexity of Work Performed by Them**

Group of Workers	Work complexity group				Total
	I	II	III	IV	
<b>Males:</b>					
—persons	58	614	221	99	992
—percent	5.9	61.8	22.3	10.0	100
<b>Females:</b>					
—persons	97	493	90	22	702
—percent	13.9	70.4	12.6	3.1	100

There is also another possible approach to the evaluation of the quality of the work performed: through its complexity which is determined by the worker himself based on the time required for its performance (Table 6).

A total of four work groups were identified: simple, medium complexity, high complexity, and especially high complexity.

*Group I.* Simple work not requiring special knowledge or training; little time required to develop skills and abilities.

*Group II.* Work of medium complexity requiring knowledge of the equipment used and special training for at least several months and a certain amount of time to master methods and skills.

*Group III.* Work of high complexity requiring vast special knowledge about equipment used, objects of labor, technological processes, etc. To obtain this knowledge workers with average abilities require not only special education but also a long period in which to acquire habits and skills.

*Group IV.* Especially complex work requiring not only a great deal of special knowledge but also a subtle understanding of the essence of the production process, the

development of special skills, i. e., this work is performed by workers who possess higher abilities in addition to a great deal of knowledge.

In the given instance both men and women perform all types of jobs. Most of the male and female workers perform jobs of medium complexity (61.8 and 70.4 percent, respectively). However almost one-third of the workers perform work requiring a higher skill level. Half as many women—15.7 percent—are engaged in this type of work.

Thus the lower level of vocational training of women and the consequently lesser complexity of the work performed by them are among the principal factors that cause a considerable disparity in the pay of the investigated categories. According to our calculations, this disparity, based on the average wage grades of workers in the respective groups (4.3 and 3.8) is 11-13 points, i.e., the given factor is primarily responsible for the difference in the level of their pay.

Women on the average spend less time at work. First, their working time is less than that of men primarily because they must take care of sick children or other members of the family. Second, women perform less overtime work [than men]. Thus in the investigated aggregate of piece-rate workers, no overtime work was performed by 13.6 percent of the men and 26.1 percent

of the women; frequent overtime—24.5 and 21.8 percent; and occasional overtime—by 59.6 percent of the men and 47.7 percent of the women.

The high additional work load of female piece-rate workers is noteworthy. Three out of four of them stay after work to one degree or another; one-fifth of them do so frequently. And even though female workers perform overtime work less frequently than men, the difference in time expenditures is slight and according to our calculations is 5-8 hours a month for the given category. Among time-rate workers, this difference in the level of overtime work is considerably greater and totals 12-17 hours a month because female time-rate workers perform overtime work considerably less frequently than men.

Thus it can be considered that the considerable differences in the labor inputs of the two investigated groups are the principal reason for the differences in the average monthly levels of their wages.

Let us try to answer the question: what is the basis for the difference in labor inputs? It is known that the size of the latter depends on the worker himself (his potential, the degree of interest in their complete utilization, etc.) and on the conditions under which the production process takes place. Idle time for various reasons, the lack of challenge on the job, marginally productive equipment, etc., do not permit many workers to make full use of their labor potential, which directly influences the size of the monetary reward received by the worker.

Working conditions (in the broad sense of the terms) were evaluated on the basis of three groups of factors.

1. Production conditions: (a) the level of technical equipment in the work place; (b) the availability of tools and accessories; (c) the availability of supplies, raw materials, components, etc.; (d) the quality of raw materials, supplies, etc.; (e) the timeliness of repair and setup operations; (f) sanitary-hygienic working conditions.

2. Conditions characterizing the production infrastructure: (a) the organization of meals; (b) the possibility to rest during the lunch period and regulation breaks.

3. The psychological climate in the collective: (a) interrelations in the collective; (b) interrelations with superiors.

All factors were evaluated by the workers themselves on a five-point scale.

It should first of all be noted that all workers regardless of their sex assigned a very low rating to production conditions (from 2.3 to 2.9 points; average: 2.7) and to the production infrastructure (from 2.5 to 2.8; average: 2.6 points), and gave an especially low rating to sanitary-hygienic working conditions (2.3 points), i. e., the latter were simply evaluated as bad.

The highest rating (3.7 and 3.8 points) was given to interrelations in the collective and interrelations with superiors, but they too were rated no higher than 4 points.

As regards differences in the evaluation of working conditions by male and female workers, in the majority of the investigated examples, they are slight and do not exceed 0.2 points. A higher rating to all indicators characterizing production conditions is given by women than men even though the differences are also slight (0.1-0.2 points). On the other hand, female workers give a slightly lower rating than male workers to various aspects of the production infrastructure (by 0.2-0.4 points). It can be assumed that women on the whole were more demanding toward the organization of production life while men made higher demands on the organization of labor even though appreciable changes were not observed.

The fact that none of the groups gave any particular preference to securing more favorable working conditions in the work place is also confirmed by the workers' responses. The question "Do you have all conditions in your work place so that the volume and quality of the work performed by you depend entirely on you" was answered in the affirmative by 39.2 percent of the male and 40.7 percent of the female respondents and in the negative by 45.9 percent of the men and 39.9 percent of the women. The others were unable to answer this question.

It should be noted that women use their production potential more completely. Thus 77.1 percent of the women believe that their skill level corresponds to the complexity of the work performed and only 20.2 percent of the respondents believed that they were capable of performing more complex work. These indicators for men were 67.7 and 29.9 percent, respectively.

And finally both groups also evaluated the potential for professional advancement approximately the same.

Thus it can be concluded that the disparity in the level of pay reflects only differences in labor inputs. This conclusion is also confirmed by the respondents' answers to questions concerning the appropriateness of their monetary remuneration and its correspondence to their labor inputs.

A large number of the female workers (55.5 percent) gave a positive answer to the question of whether they were being justly paid; 29 percent expressed their conviction on this point. Twenty-one percent of the polled female piece-rate workers felt that they were not being justly paid, including 6.7 percent who expressed their conviction on this point.

Forty-five percent of the men gave an affirmative answer to this question, including 17.1 percent who were convinced of this; a negative response was received from 29.7 percent of the respondents, including 11.6 percent in categorical form.

A similar picture is also seen in the distribution of answers to the second question. Here 65.2 percent of the women believe that their earnings totally (22.3 percent) or basically (42.9 percent) correspond to their labor input. This position was endorsed by 57.2, 19.2, and 38 percent of the male respondents, respectively.

Approximately one-fourth (26.9 percent) of the female workers believe that their earnings are not commensurate with their labor input; 33.2 percent of the male workers are of the same view.

From the foregoing it follows that it is not appropriate to speak of the violation of women's rights as a social group in the area of labor and pay. Male and female workers work under approximately the same conditions and have

approximately the same potential for developing and using their labor potential, their abilities, their knowledge, and skills, etc.<sup>3</sup> At the same time, I would like to note that the same earned ruble evidently is "dearer" to women than to men. The fact of the matter is that women are physically weaker than men and hence the same load is perceived differently by male and female workers.

As is evident from the data in Table 7, both groups rate the level of nervous strain approximately the same; as regards physical exertion, however, major differences are seen. The level of physical exertion was noted as being very great by 40.6 percent of the male and 63.4 percent of the female workers.

As a result, women are more tired after work than men. Thus, more than two-thirds of the women (69 percent) noted that they are very tired after work.<sup>4</sup> The share of female time-rate workers noting heavy fatigue was considerably lower but still quite high—40.1 percent compared with male time-rate workers—28.4 percent.

**Table 7: Distribution of Workers According to the Level of Physical and Nervous Exertion**

Type of exertion	Group Responses	Group Responses		
		very heavy	moderate	slight
Physical	Men	40.6	56.6	2.8
	Women	63.4	32.8	3.7
Nervous	Men	47.1	45.7	7.2
	Women	48.6	46.5	4.9

In this connection, a number of economists and sociologists have proposed the use of output norms differentiated by sex. The legitimacy of such an approach as one of the possible variant solutions to the problem of easing the plight of women in the sphere of social labor is beyond question but in our view its practical realization requires the stricter substantiation and search for alternative solutions of the problem.

The introduction of easier norms for female workers without reducing their working time will make it possible to increase their pay but will not reduce their fatigue level. On the one hand, the reduction of working time by even half an hour and the corresponding lowering of output norms will require considerable resources and time. On the other hand, considering the uneven degree of fatigue among various groups of women, there will evidently be a need for differentiation on the basis of other features and this will be more difficult. Finally, if the fatigue factor is considered in the process of determining women's work norms, why should this factor not be considered for other social groups as well, in particular, elderly workers, workers who are physically weak, etc.

We believe that this problem can be solved more effectively in another way: through the dramatic improvement of sanitary-hygienic working conditions. First, this

factor has a most powerful impact on the way the worker feels [*samochuvstviye*], and, second, the workers themselves rate the state of working conditions very low (2.3 on a 5-point scale).

Radical improvement of working conditions eliminates the cause of heightened fatigue and does not merely compensate the consequences of irrationally organized labor activity. Figuratively speaking, the disease heals itself and not its consequences. What is more, this approach makes work easier for all workers and not just selected groups and hence is more in keeping with the socialist principle of justice. The improvement of working conditions must therefore be viewed as the general direction in resolving the problem of making women's work easier.

It seems to us on the whole that a ruble invested in improving working conditions produces a significantly greater effect in reducing women's fatigue than the introduction of preferential norms for them. Nevertheless, all measures require precise calculation because only then is it possible to select the most effective way of improving the plight of women in social production.

But obviously there can also be compromise solutions in which most of the resources are used to improve working conditions while the output norm may be differentiated



according to sex in certain branches or types of activity where the participation of women in the production process is objectively necessary.

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#### Footnotes

1. The question as to why there are greater differences in the wages of men and women working on a time-rate basis than in the pay of men and women working on a

piece-rate basis is very curious because the basic factors—educational level, age, skill level, etc.—do not allow us to make any assumptions in this regard. This is a question that obviously requires special study.

2. However this hypothesis requires careful verification.

3. The reference is only to the labor sphere. The activity of women outside this sphere is not considered.

4. Some authors attribute the greater fatigue of women to the fact that in addition to the job they also have work to do at home and that they are unable to get their full rest.

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## CIVIL AVIATION

### Specialists Examine Future Air Traffic Control Plans

18290114 Moscow IZVESTIYA in  
Russian 27 Feb 89 p 1

[Interview with Tatyana Grigorevna Anodina, director of the Scientific Experimental Center of the AUBD, by V. Belikov: "In the Sky of the Year 2000"; first paragraph is IZVESTIYA introduction]

[Text] How will air traffic be controlled on the threshold of the 21st century? This was discussed in Moscow by leading specialists of Western Europe, the United States, the USSR and international air transport organizations.

For the first time in the two decades of our participation in the work of the International Civil Aviation Organization (ICAO), the important and representative meeting was held under its aegis in the Soviet Union. Tatyana Grigorevna Anodina, director of the Soviet delegation, director of the Scientific-Experimental Center for the AUVD [Air Traffic Control Administration], told the IZVESTIYA correspondent:

"The sky above the earth will grow dark—year after year the intensity of air transport is increasing and flight frequency is growing, even though in our country and others the demand for seats on airplanes still remains approximately 15 percent unsatisfied. The air companies and services that regulate the procedure are worried about the density of transport flows, particularly over Europe and the North Atlantic, where the air routes are most active.

[Belikov] How can these dangerous "overloads" in the sky be avoided?

[Anodina] All the participants in our meeting were unanimous on the fact that, by easing the work of the dispatchers and operators through using the newest, fast-response automated devices, it will be possible to increase the throughput of the main air lines and thus ensure proper flight safety.

The central "data banks" on routes over western Europe and the CEMA countries, created respectively in Brussels and Moscow, make it possible to carry out a direct information computer dialog over distances of thousands of kilometers. This will make it possible for the airlines to plan flights, eliminating in advance the dangerous congestion of winged machines in the air and on the ground, avoiding delays on take-off and landing. When necessary, stand-by or alternate routes will be used.

[Belikov] IZVESTIYA readers already know that our country is beginning to introduce a new microwave system for automated plane landings, similar to that used in the flight of the Buran spacecraft. What are its advantages?

[Anodina] The system, analogs of which are also being developed in the West, not only makes it possible to guarantee a sure landing at the airport of destination, regardless of the weather conditions. Its technical potentials remove the need for the pilots to hold strictly to a rigid system of approach for the landing, with the howl of the descending plane announcing it to the neighborhood housing blocks. The microwave system "will lead" accurately to the runway, not from one, but from any direction, making it possible to avoid flying over populated centers, natural obstacles or prohibited zones.

[Belikov] Were methods new in principle and technical decisions discussed at the meeting in Moscow?

[Anodina] Of course! Our delegation and the American one each gave a report on the concept of future safeguarding of air traffic in Europe, based on the possibility of creating, in the near future, a global system of air navigation by means of satellites.

In its overall features it looks like the so-called synchronized orbits, ensuring reliable radio exchange between crews and the UBD [air traffic control] ground centers. Incidentally, with this type of air traffic organization, the number of control centers throughout the world can be reduced a great deal as compared with their present number, since it is really possible to "see everything" from above with satellites.

## MOTOR VEHICLES, HIGHWAYS

### New USSR Automobile, Agricultural Machinebuilding Minister Interviewed

18290087a Moscow PRAVITELSTVENNIY VESTNIK  
in Russian No 1, Jan 89 p 9

[Interview with N. A. Pugin, minister, USSR Automobile and Agricultural Machinebuilding, in the column: "Capsule Introduction"; date and place not specified; first paragraph is PRAVITELSTVENNIY VESTNIK introduction]

[Text] He was born in the village of Mukhanovo in Gorkiy Oblast. He graduated from the Gorkiy Polytechnical Institute in 1967. His first job, in 1958, was that of lathe operator at the Gorkiy Automobile Plant. He worked as an adjuster, foreman, section chief, assistant shop chief, chief engineer, and plant technical director. In 1983 he was appointed general director of the Gorkiy Automobile Plant. The year 1986 brought him the position of minister of the USSR automobile industry. At the 27th Party Congress he was elected member of the CPSU Central Committee. He is also a USSR Supreme Soviet deputy and a laureate of the USSR State Prize.

[Interviewer] Nikolay Andreyevich, the buildings of the former Minavtoprom [Ministry of the Automobile Industry] and the Minselkhoz mash [Ministry of Agricultural Machinebuilding] bear new signs reading "USSR Ministry of Automotive and Agricultural Machinebuilding." Joining of the two ministries is more than a change of signs, of course. Now the sector you head encompasses about half the capacities of the machinebuilding complex. Does combining the ministries offer new possibilities for economic maneuvering, specialization and cooperation in manufacturing, and more efficient work?

[Pugin] The sectors have been combined, and the main problem now facing us is what to do to derive maximum benefit from the merger.

We are conducting an exhaustive study of production and scientific potential resulting from the merger. The main purpose of this effort is to determine which past gains made in each sector should be incorporated into the new arrangement. For example, a higher general level of production organization and technology in automobile manufacturing; the work experience acquired by leading automobile associations relative to the new economic conditions. Agricultural machinebuilding enterprises have accumulated a great deal of useful experience, which also should be utilized.

We must take up the issue of what to do with uncompleted construction projects and underutilized automobile and agricultural machinebuilding capacities. In particular, we plan to retool a number of underutilized plants to produce consumer goods.

[Interviewer] Combining the ministries has naturally led to a larger work volume, to a greater personal work load for the minister. How is your workday organized? Of what does it usually consist?

[Pugin] The only thing I can tell you is that my workday is at least 14 to 15 hours long. Incidentally, it is just as long for a large part of the ministry's personnel. I do what has to be done. But who is interested in that? Readers and millions of people are interested in something else: end results. Such as: When can we finally make passenger cars available on the open market? When will we resolve the replacement parts problem? When will normal automotive service become available? When will the Oka appear on the streets?

[Interviewer] Are you speaking of the recently adopted resolution regarding organization of new production facilities for very small cars?

[Pugin] The resolution regarding mass production of the Oka is a major step, a matter of state significance. It reflects the new priorities set forth by the 19th All-Union Party Conference relative to strengthening the social orientation of our economy.

We are organizing production with a tractor plant under construction in Yelabug, which we have renamed the Yelabug Automobile Plant (YelAZ), as the base. Plans are to produce 900,000 cars a year. The enterprise's first section capacity (for 1991) is 300,000 cars a year. The car's technical level will be comparable to that of foreign analogs. Naturally, there is much work to be done. In addition to the base plant in Yelabug, to manufacture automotive components we plan to erect 13 new plants, which will be YelAZ affiliates, and we will refurbish 14 existing plants.

It is unfortunately true that not everyone realizes the special state significance of this construction. This includes workers in related sectors and managers in a number of oblasts and republics on whom we levied a request for their cooperation in locating the new plants that are to be the YelAZ affiliates. Most of the replies have been negative.

[Interviewer] You have said nothing about the price of the new car. I do realize that it is premature to speak of that. Nevertheless, Nikolay Andreyevich, what is your guess?

[Pugin] Yes, discussion of that is difficult, since the project has not been finalized and production cost estimated. I can tell you one thing: It will be the least expensive passenger car in our country. The price will lie somewhere in the range of 4,000 to 4,500 rubles.

[Interviewer] When you were working as GAZ general director, you saw concrete results of your labor every day. Now, however, instead of "live" vehicles you see only production reports.

[Pugin] There is more to it than that. I make frequent trips and meet with labor collectives. It is not by hearsay that I become apprised of the existing situation in many enterprises. That is not the point, however. It is possible to look beyond any report or compilation of data to see definite labor results attained by a particular collective.

**ZAZ-1102 Road Test Review**  
*18290087b Moscow SOTSIALISTICHESKAYA*  
*INDUSTRIYA in Russian 20 Jan 89 p 4*

[Article by A. Shifrin under the "Road Test" rubric: "The Showroom Missed Something"; first paragraph is SOTSIALISTICHESKAYA INDUSTRIYA introduction]

[Text] Today we are starting a new column, in which we intend to write about the "behavior" of new cars as driven by average drivers. So, here we go with the ZAZ-1102, the Tavriya.

The Tavriya's odometer registered 32 kilometers when I drove it out of the Zaporozhye Auto Showroom. A short drive in the city brought out the first trouble: The brake pedal would not budge. The cause was deceptively simple—there was no free play. It took several minutes to fix the trouble.

The following morning I set out on a long drive. It was so foggy that I could not see a thing. I could drive no faster than 40 kilometers an hour. This is not a bad idea for a new car, incidentally, since less strain is placed on the engine.

The day broke and the fog had lifted as I was leaving Zaporozhye Oblast, but driving was not easier. The road was covered with a sheet of ice. I used the clever trick of straddling the road edge, with two wheels riding on the snow-covered shoulder.

In Kursk Oblast the road was just like a test track: nothing but ruts and potholes.

When I arrived in Moscow the odometer registered 1,100 kilometers. The car had used 60 liters of gasoline. Not bad at all! There were no breakdowns en route.

Today the reading is 2,500 kilometers (one month's driving). What were my first impressions? I was most impressed by the winning combination of the car's simplicity and the interior's elegance and comfort. I would even say that the ride is quieter.

At first I could not bring the car up to speed. The ignition and carburetor had not been adjusted in the pre-delivery preparation, hence this result. I made the adjustments, thus establishing normal performance. I had difficulty shifting gears. All I had to do was adjust the clutch pedal free play to achieve smooth shifting.

In a word, all the troubles were due to poor showroom preparation. These details do not detract from my favorable impression, however. The fact that the Tavriya is still not equipped with a wiper for the rear window is not good. This makes driving more difficult, since the window becomes fouled quickly, and, if in addition a side window is splashed, visibility is reduced practically to zero. I level this particular criticism at the plant's equipment suppliers.

Another shortcoming: The windshield washer motor leaks, since it is located below the fluid reservoir.

**Experimental VAZ-2110 Highlighted**  
*18290087c Moscow TRUD in Russian 29 Jan 89 p 1*

[Article by N. Chaykovskiy: "The Experimental Zhiguli-Volga Automobile Plant Produces Models of the New VAZ-2110 Passenger Car Family"]

[Text] After the workers removed the canvas cover and rolled the silver-colored car away from the wall, they started to—of all things!—smash it. None of the bystanders protested this act of violence. On the contrary, since

here, in one of the experimental design complex shops, this constituted a customary and significant event: Car models fashioned out of wood and plastic were about to join the junk pile. This meant that a metal version of the new car had finally been built. The next step was pilot production, after which it would be manufactured serially.

A short while later P. Prusov, the plant deputy chief project designer, showed me white cars that sat low to the ground. Even to the layman it was immediately apparent that they differed substantially from all previous models of the Zhiguli: gently sloping body curves, elegant overall design, comfortable interior. The VAZ-2110 offers more than beauty, however. Its main feature is the aerodynamic execution. Let me give you figures for comparison. The aerodynamic drag coefficient of the serially-produced VAZ-2108 Zhiguli is 0.49, while the new model comes in at 0.3. Also, with its improved, electronic fuel injection engine, at 90 kilometers per hour fuel consumption of the "ten" has been reduced by 700 grams.

**Official Explains New Vehicle Inspection Rules**  
*18290078a Moscow SOVETSKAYA ROSSIYA in Russian 18 Jan 89 p 6*

[Interview with V. Zhuravlev, division chief of Technical Supervision of the Main Administration of GAI [State Motor Vehicle Inspection Administration] of the USSR Ministry of Internal Affairs, by TASS correspondent: "Before Going Out on the Road"; date and place not given; first paragraph is SOVETSKAYA ROSSIYA introduction]

[Text] On 1 January new rules went effect on carrying out state technical inspection of transport means. A TASS correspondent asked V. Zhuravlev, division chief of GAI [State Motor Vehicle Inspection Administration] of the USSR Ministry of Internal Affairs, to comment on them.

[TASS] What are the main differences between the new rules and the old ones?

[Zhuravlev] The changes mainly concern state means of transport, as well as cooperative, belonging to public organizations. Henceforth, their inspection will be carried out by members of a special commission, formed at motor vehicle transport enterprises. It numbers at least three persons, including representatives of the administration, engineering-technical personnel and public organizations. One of the directors of the enterprise is designated chairman of the commission, responsible for the operation and technical state of the transport means.

Transport means for enterprises that do not have the conditions necessary to test the technical state of rolling stock undergo a technical inspection at other enterprises

on the basis of economic agreements or at diagnostic stations of Gosavtoinspektsiya. It is permissible to set up an interdepartmental commission.

No state technical inspection is carried out for new transport means at their initial registration (with the exception of passenger transport vehicles and specialized motor vehicles to transport dangerous loads).

[TASS] One gets the impression that GAI is in for a placid life.

[Zhuravlev] Gosavtoinspektsiya will still have organizational and control functions. Supervision will be implemented primarily in the form of monitoring the promptness and order of carrying out the technical inspection and its quality through spot checks, collation of registration data and a number of other measures.

In addition, Gosavtoinspektsiya will, as before, carry out the technical inspection of transport means of the multi-million army of motor vehicles.

[TASS] What innovations can they expect?

[Zhuravlev] This year annual technical inspection for all personal transport will be carried out for the last time. In the future, depending on the year the vehicle was made—odd or even—it will be carried out once every two years.

We have obliged all the subdivisions of Gosavtoinspektsiya to be equipped with special areas in which the technical state transport means can be checked, using monitoring-measuring instruments. The output of a model of a portable control point, fitted out with the necessary equipment, is being readied.

When checking the technical state, the units and assemblies that affect the active and passive and post-accident and ecological safety of the vehicle should be monitored with particular care. Small faults—let us say, due to scratches and dirt on the vehicle are categorically prohibited.

[TASS] Can the owners of personal transport go through the technical inspection at service stations?

[Zhuravlev] It is specified that service stations be widely drawn into technical inspection. After the technical service is carried out, the SOT [technical service station] issues a certificate stating that the vehicle is in good technical working order. It is valid for a month, and in this case GAI performs only the checking of the registration data on tax payment and the presence of the vehicle accessories. At the same time, the quality of the technical service is also monitored. If the quality of the checking and preparation of the vehicle for technical inspection are poor, Gosavtoinspektsiya, in conjunction with the higher channels of the STO organizations, makes the decision to forbid it to render the given types of services.

### **Air Cushion Conveyor at KamAZ Plant**

18290078b Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 13 Jan 89 p 2

[Article by U. Sogdalov, SOTSIALISTICHESKAYA  
INDUSTRIYA correspondent: "A Conveyor with an Air  
Cushion"]

[Text] The first ten double-axled KamAZ's were assembled on the third line of the association's main conveyor for production of large-capacity vehicles. The conveyor itself is as different from the first two as the vehicle assembled on it is different from the ordinary KAM trucks.

The six-ton large-capacity vehicle with the unusual cab is moved on a special bogie along a smooth area on an air cushion. Sufficient for this is a 1.10 mm-wide clearance, which is formed after compressed air is fed under the bogie. Although the assembly workers prefer to use a pneumatic motor, the heavy chassis of the vehicle can also be moved by hand.

The plant workers are pinning their hopes on having the KamAZ being assembled here go on to the motor vehicle market of the developed countries of the West. There they will not take our usual triple-axle vehicle, calculated for poor roads. Only double-axle vehicles are in demand. The foreign trade KamAZ firm is now planning to produce these machines abroad.

Dozens of double-axle vehicles will come from the air-cushion conveyor in the first quarter of the year.

### **Three-Millionth Vehicle Rolls Off Izhevsk Assembly Line**

18290078c Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 13 Jan 89 p 4

[Interview with Yu. Pishchalnikov, director of the Izhevsk Motor Vehicle Plant, by I. Klimantov: "On Line—the 'Orbita'"; Izhevsk, date not given; first paragraph is SOTSIALISTICHESKAYA INDUSTRIYA introduction]

[Text] The three-millionth motor vehicle came off the assembly conveyor of the Izhevsk Motor Vehicle Plant. Yu. Pishchalnikov, director of the enterprise, comments on this event.

[Pishchalnikov] Three million vehicles—that is an important milestone. Our vehicles are firmly based in the domestic and foreign markets. Right now it takes hardly more minutes to produce one vehicle. In the past year a total of 188,500 low-liter capacity, updated models have come off the conveyor. On the eve of the new year an innovation was manufactured—the first 107 truck-passenger vans. This vehicle can transport six passengers or 400 kilograms of freight. The body is fitted out with windows, seats and a noise-insulating lining.



We will connect future production with the new "Orbita" model—IZh-2126. A new family of our Izhevsk vehicles will be created on its basis.

The keys to the "three-millioner," which the winners of the socialist competition assembled, were handed to Denis Denisovich Michkalo, one of our best workers. He has been working at the enterprise for 20 years. After completing the tekhnikum, his son also went into assembly work—a working dynasty is founded. May the jubilee motor vehicle become for this family a reward for honest labor.

## RAIL SYSTEMS

### Proposals Sought For 'Center-South' Mainline Project

18290138 Moscow GUDOK in Russian 22 Mar 89 p 2

[Article by Ye. Sotnikov: "Design Contest For 'Center-South' Mainline Continues"]

[Text] The rapid growth of passenger traffic compels our country too to embark on the development of specialized mainlines with train speeds of up to 350 kilometers. It will be recalled that the "Center-South" track, to link Moscow with the Crimea and Caucasus, is to be such a mainline.

The need for this has been documented. In the USSR, every resident makes an average of nearly 10 long-distance intercity trips a year via all types of transportation. However, the number of passenger-kilometers per inhabitant of our country is roughly one-third of the figure for the technically developed countries of Europe and America, despite the fact that our territory is substantially larger. In addition, it must be borne in mind that as prosperity grows, population mobility in our country will rapidly increase.

On the basis of studies, preliminary design work, and technical-economic calculations, it has been established that construction of the specialized, high-speed "Center-South" passenger mainline will fully meet projected traffic volumes. The new installation will make it possible to relieve existing routes of 80 to 90 pairs of long-distance passenger trains and to use the traffic capacity for freight.

The situation where public transportation is concerned in the greater part of the Russian Soviet Federated Socialist Republic, the Ukraine, and the Transcaucasian republics will change fundamentally. For example, it will take just three hours to travel from Moscow to Kharkov, and 1 and ½ hours from Kharkov to Zaporozhye. The high-speed trains will also be able to serve cities located at some distance from the new line. Transport links with Dnepropetrovsk, Donetsk, Voroshilovgrad, Sukhumi, Tbilisi, and other cities will be substantially speeded.

It will naturally be necessary to develop a fundamentally new type of rolling stock and other equipment for the high-speed track. Many parameters must be taken into account in this regard. High-stability track structures must have vibration protection and not produce loud noise. It has to be possible to service the mainline without stopping passenger traffic. The degree of automatic control will likely be of a higher order as well—based on dependable microprocessors and fiber-optic and satellite communications links.

The All-Union Railroad Transport Research Institute has been named the principal organization for the high-speed "Center-South" Mainline. Organizations of the USSR Ministry of Heavy, Power, & Transport Machine Building, the USSR Ministry of Transport Construction, the USSR Ministry of the Electrical Equipment Industry, and the Academy of Sciences have also been enlisted in the work. In view of the project's complexity, however, it was decided to hold a contest for the best project design. On Jan. 11, Gudok carried the announcement of the contest for the best designs for new equipment and for substantiation of the best location and parameters for the new track.

The contest is being held in order to more widely enlist scientific-research, design, and project-planning organizations in designing the super-express train, the track for it, and power-supply, automation, and communications equipment that will allow speeds of 350 km per hour and higher. The contest is also intended to accelerate scientific research, to enhance the quality of experimental-design work, and to surpass the world's best models of similar equipment in all parameters—technical, ecological, and economic.

Participation in the contest is open to any collective of an enterprise or organization that has the required scientific-technical and production facilities. The list of basic designs for new equipment, system components, and facilities includes mandatory dual-feed systems for an electric train operating on alternating current (25 kilovolts, 50 hertz) and direct current (three kilovolts).

Contestants must design:

- a commutator-less traction electric motor with a converter system for its power supply;
- a traction transmission for body support suspension of the traction motors;
- car bogies with axle-box assemblies and spring suspension;
- an electric train brake system that does not depend on wheel-rail adhesion;
- coaches in which the seats can be converted into sleeping couches.

The contest is also being held for the design of a traction power supply system that can allow speeds of up to 350 km per hour. Promising individual proposals for equipment and electric train assemblies and systems will also be considered. The necessary information can be obtained by contacting the All-Union Railroad Transport Research Institute.

Special mention should be made of the requirements for the design of continuous welded rail for the super-express train. The rails and elastic fastening must meet anti-noise and anti-vibration requirements but totally exclude the possibility of seasonal deformations. In addition, overpasses and bridges must meet the requirement of allowing easy adjustment of the position of the rails in plane and profile.

The contest is also for the design of a commercial radiotelephone communications system. Passengers' radio conversations must be ensured over a radio channel in no more than three seconds.

It is also necessary to examine and select the best proposal for the route the track should follow in the area of the Kharkov junction, with due regard for urban-development, ecological, and other factors.

Proposals that are accepted under the contest (so-called "programs"), with the concurrence of the organization or author of the "program," will be included in the plan of scientific-research and experimental-design work and provided with financing.

The following prizes have been established for the best proposal, set of documentation, technical design, experimental model or prototype of a device or unit, and other documents:

- one first prize of 20,000 rubles;
- two second prizes of 10,000 rubles;
- three third prizes of 5,000 rubles;
- four incentive prizes of 3,000 rubles.

#### **Planned Use of Robots in Locomotive Repair Shops Examined**

18290090a Moscow ELEKTRICHESKAYA I  
TEPLOVOZNAYA TYAGA in Russian  
No 11, Nov 88 pp 40-41

[Article by A. V. Gorskiy, doctor of technical sciences, A. A. Vorobyev, candidate of technical sciences and I. A. Gaydarenko, engineer, of the Moscow Institute of Railroad Transport Engineers, under the "Scientific and Technical Topics" rubric: "Industrial Robots and Automating Railway Repair Shop Operations"]

[Text] Robotics comprises an effective means for automating production processes. We define industrial robots as reprogrammable automatic manipulators

designed to imitate the motor functions of human hands. Automatically-acting manipulating systems are designed in accordance with a rigidly incorporated, programmable, adaptable, intelligent (elsewhere still called "integrated") control principle.

The movements made by these stationary built-in devices are directly related to production methods. Program robots make up the first generation of industrial robots (PR). They automatically perform various cycles of operations according to a wired-in program built into the robot's memory. The program is developed without consideration for the robot's surroundings, but it can be easily replaced by a different program with a rigid sequence of actions.

Adaptive robots (second generation) are equipped with a sensitization system (sensors). They perform various operational cycles in an indeterminate, and both completely and partially changing situation. The sensitization transducers transmit signals to the computer, which then forms control signals and corrects (reprograms) the robot's actions.

Intelligent robots (third generation), which possess artificial intelligence components, use an assignment to plan their own actions. By using artificial vision and a number of other sensing devices, they can interpret and recognize their surroundings, automatically decide on their next actions and perform them, as well as teach themselves in the process of accumulating their own operating experiences.

Industrial robots, unlike any other type of equipment, can replace people in repeatedly performing similar monotonous physically heavy chores. They work well in areas where conditions are hazardous, harmful and inimical to human health. Using industrial robots makes it possible to automate not only basic, but auxiliary manufacturing operations as well.

The use of robots to perform shop repairs on electric rolling stock (e.p.s.) is becoming increasingly important. The point is, that this work is characterized by a considerable proportion of technical processes involving unskilled manual labor. The level of mechanization of repair work in leading repair shops on sections TR-1, TR-2 and TR-3 comes to only 15-20, 20-25 and 30-35 percent respectively. This is why using industrial robots would not only make people's work easier, but would also improve the quality of the work done and increase labor productivity.

Obviously, using industrial robots will result in a definite number of workers being relieved. This is especially important since the repair shops make widespread use of the Belorussian Railroad's working methods. On a number of sections having working conditions which are harmful to human health, and on jobs requiring monotonous physical labor, industrial robots are helpful in overcoming the existing shortage of hands.

These jobs also include cleaning locomotives, their parts and assemblies, welding and soldering when repairing and rebuilding mechanical elements on electric locomotives, applying anticorrosion coatings, painting equipment, installing and dismantling various parts and transporting and transferring them from one repair operation to another, and loading and unloading machine tools.

However, particular attention must be paid when selecting the repair shop's facilities to be equipped with robots, since many of the robots now manufactured have no relation to existing production processes and are not equipped with additional equipment. Machine tools and other machines available in repair shops are meant to be manually loaded and operated, and the control systems for industrial robots, especially early models, differ in the great diversity of their componentry.

The Electrical Traction department of the Moscow Institute of Railroad Transport Engineers (MIIT) used the expert appraisal method to determine which electric rolling stock repair shop production operations would best be served by industrial robots. A preliminary analysis of work-places in the Rybnoye, Dema, Georgi-Dezh and Moscow Shunting Yard repair shops showed that the leading collectives had introduced flow-type production lines and mechanized positions on a widespread basis and had improved their hoisting and transporting processes. This is a sound foundation for introducing industrial robots. A study of the technological processes involved in repairing electrical rolling stock was used to compile a list of operations which might be enhanced by robots. They include:

- cleaning wheel-and-motor units of impurities;
- turning and slotting commutators and dressing traction motor (TED) commutator bars;
- impregnating TED insulation;
- enamel-treating internal TED surfaces;
- coating brush-holder supports with insulating varnish;
- cleaning electric locomotive superstructures and underframes of contamination;
- painting locomotive superstructures;

- treating motor-axle bearing (MOP) shell surfaces with etching acid;
- surfacing motor-axle bearing shell surfaces in a gaseous atmosphere;
- transporting assemblies within and between repair shops;
- defectoscopying wheelsets;
- off-pressing wheel set tires when cold;
- hot-forming wheelsets.

While these technical operations were being assessed as proposed areas of robot use, we determined all their stable factors:

- the need to improve working conditions, to reduce the danger of serious injury and job-related maladies, and to reduce outlays stemming from unfavorable social factors;
- reducing personnel turnover and manpower shortages and enhancing the prestige of this line of work;
- improving the quality of the work done by eliminating the influence of subjective factors on production and by keeping close tabs on how well equipment productivity complies with technical requirements;
- possibility of introducing robot equipment at minimal cost and of redesigning and adding production areas, and acquiring robot complexes or industrial robots which can be used to automate a given technical operation;
- the availability of a work-force trained to operate and service robot-equipped production facilities;
- the degree to which personnel support measures to use robots in production.

As a result, several questionnaires were drawn up to determine the relative significance of the above factors in installing robots in production facilities in repair sheds (Table 1) and to provide a comprehensive assessment of facilities proposed for robotization (Table 2).

Table 1.

	Significance of factor			
	Specialists			
Production Factors	1	2	3	4
Need to improve working conditions, reduce danger of serious injury and job-related maladies, and to reduce outlays caused by effect of unfavorable social factors	8	9	9	10
Solving problems of personnel turnover and shortages and enhancing the prestige of this work	10	10	10	10
Improving the quality of the work done by eliminating the influence of subjective factors on production, and by keeping close tabs on equipment output	7	9	8	8
Feasibility of bringing in robot equipment at minimal cost	10	9	8	9
Feasibility of acquiring robot-equipped complexes or industrial robots, which can be used to automate technical processes	6	8	8	7
Feasibility of bringing in robot equipment with minimal replanning of production areas and of adding production areas	8	7	9	7
Availability of work-force trained to operate and service robot-equipped technical operations	8	9	8	7
Degree to which personnel support measures to robotize production	6	5	7	5

Table 2.

Production Factors	Influence of factor on installing robots					
	Work Places					
	1	2	3	4	5	6
1	10	5	6	2	10	7
2	6	7	6	7	7	5
3	5	7	8	9	8	7
4	8	7	8	8	9	8
5	10	9	10	9	8	10
6	8	7	6	6	5	7
7	8	10	7	7	8	10
8	8	4	5	9	8	5
9	10	8	7	9	9	10

Specialists from a number of Ministry of Railways repair sheds, the Moscow Railroad Locomotive Service, MIIT and VZIIIT [All-Union Correspondence Institute of Railroad Transportation Engineers] took part in the appraisal. The assessments on the questionnaires were put on a scale of ten. Each of the experts expressed his own point of view independent of the other participants' opinions.

Table 3.

Technical Processes	Total rating of expert appraisal, scale of 1-10	Rank of preference
Cleaning electric rolling stock superstructure and underframe of contaminants	6.31	1
Surfacing motor-axle bearing shell surfaces in gaseous medium	6.19	2

Table 3.

Technical Processes	Total rating of expert appraisal, scale of 1-10	Rank of preference
Treating motor-axle bearing shell surfaces with etching acid	6.02	3
Painting locomotive superstructure	5.85	4
Turning and slotting motor commutator and dressing commutator bars	5.71	5
Cleaning wheel and motor unit components	5.70	6
Coating brush-holder supports with insulating varnish	5.51	7
Impregnating traction motor parts	5.47	8
Enamel-treating internal surface of traction motor frame	5.36	9
Off-pressing tires from wheelsets	5.26	10
Hot-forming wheelset	5.18	11
Defectoscopy wheelset	5.04	12
Transporting assemblies within and between shops	4.83	13

After the questionnaires were processed, the selected technical processes were ranked according to their preferability vis-a-vis having robots installed and used (Table 3). The lowest ranking was assigned to the facility with the highest final assessment. Correspondingly, industrial robots should initially be introduced into those operations assigned the lowest rank. Here, it is important to point out that priority was given technical processes noted for their harmful or unattractive conditions.

The opposition of the experts' extreme opinions was evaluated. Not a single "conflicting" assessment was found, which makes it possible to come to a conclusion

regarding the trustworthiness and reliability of the material obtained. This material can be used to prepare and substantiate rational decisions concerning installing robots.

It should be mentioned that technical operations such as cleaning electric locomotive superstructures and underframes of dirt, painting superstructures and cleaning wheel and motor unit components of dirt require special-purpose industrial robots, whose features correspond to the dimensions of the rolling stock and its individual parts.

Surfacing shell surfaces of motor-axle bearings, treating shell surfaces with etching acid and enamel-treating interior surfaces of traction motor frames are operations requiring industrial robots with positioning- or contour-control systems.

Thus, using robots to perform repair shop technical operations on electric locomotives is one of the most important aspects of accelerating the radical re-equipping of our repair shops, increasing labor productivity

and improving people's working conditions and production quality as a whole. The first order of business is to introduce industrial robots into operations such as cleaning electric locomotive superstructures and underframes, surfacing motor-axle bearing shell surfaces in a gaseous atmosphere and treating the shells with etching acid.

Later on it will be advisable to start using robots to paint locomotive superstructures, to turn and slot motor commutators and dress commutator bars, to clean wheel-motor units of dirt and impurities, to coat electric motor brush-holder supports with insulating varnish and to impregnate traction motor parts and to enamel-treat motor frames. Finally, industrial robots will have to show up in the shops where tires are cold-pressed off wheelsets, where wheelsets are heat-formed and defectoscoped.

Last, robots will have to be used in intra- and inter-shop transport of assemblies. After all these problems have been solved, we will set about changing over to new procedures for organizing production processes.

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